

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Schoolcraft County</b>	County <b>Schoolcraft</b>
Audit Date <b>9/30/05</b>	Opinion Date <b>12/2/05</b>	Date Accountant Report Submitted to State: <b>3/31/06</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) <b>Anderson, Tackman &amp; Company, PLC</b>			
Street Address <b>901 Ludington Street</b>	City <b>Escanaba</b>	State <b>MI</b>	ZIP <b>49829</b>
Accountant Signature <i>Anderson, Tackman &amp; Company P.C.</i>		Date <b>3/31/06</b>	

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**BASIC FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2005**

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**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Commissioners  
County of Schoolcraft  
Manistique, Michigan 49854

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the County of Schoolcraft, Michigan as of and for the year ended September 30, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Schoolcraft's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Schoolcraft Memorial Hospital and Schoolcraft County Road Commission, which represent 36% and 37%, respectively of the assets, 28% and 36% of net assets, and 64% and 13% of revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for Schoolcraft Memorial Hospital and Schoolcraft County Road Commission, is based on the reports of the other auditors.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the

discretely presented component units, each major fund and the aggregate remaining fund information of the County of Schoolcraft, Michigan as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reported dated December 2, 2005, on our consideration of the County of Schoolcraft, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information on pages 3 - 11 and 58 - 62, respectively, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Schoolcraft's basic financial statements. The combining nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the County of Schoolcraft, Michigan. Such information has been subject to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Anderson, Tackman & Company P.C.*

Certified Public Accountants

December 2, 2005

## **MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)**

Our discussion and analysis of Schoolcraft County's financial performance provides an overview of the County's financial activities for the year ended September 30, 2005. Please read it in conjunction with the County's financial statements, which begin on page 12.

### **FINANCIAL HIGHLIGHTS**

- Net assets for the County were reported at \$4,336,036 for 2005 and were \$5,474,459 for 2004, a decrease of \$1,138,423. For 2005, net assets for our business-type activities were \$3,405,840 or 79% of total net assets, while net assets in our governmental activities were \$930,196 or 21% of total net assets.
- The County's expenses for 2005 totaled \$5,163,876, while revenues from all sources totaled \$4,025,453, resulting in a decrease of \$1,138,423. In 2004, total expenses totaled \$4,652,028, while revenues totaled \$4,725,332, resulting in an increase of \$73,304.
- In the County's business type activities, total revenues were \$1,107,011, or 28% of total revenue, while expenses totaled \$728,618, or 14% of total expenses. This provides excess revenue over expenses of \$378,393.
- The General fund reported a decrease in fund balance of \$43,272 in 2005 and an increase of \$10,197 in 2004, representing a decrease in fund balance of 19% and an increase of 5%, respectively. This was after revenues of \$3,437,773 compared to \$3,083,526 in 2004, and expenditures of \$3,481,045 compared to expenditures of \$2,815,294 in 2004.

### **USING THIS REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities (on pages 12-13 and 14) provide information about the activities of the County as a whole and present a longer term view of the County's finances. Fund financial statements start on page 15. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements by providing information about the County's most significant funds. The remaining statement provides financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of government.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

### Reporting the County as a whole

#### Statement of Net Assets and the Statement of Activities

Our analysis of the County as a whole begins on page 6. One of the most important questions asked about the County's finances; "Is the County as a whole better off or in worse condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements reports the County's net assets and changes in them. You can think of the County's net assets- the difference between assets and liabilities- as one way to measure the County's financial health, or *financial position*. Over time, *increases or decreases* in the County's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's property tax base to assess the *overall financial health* of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into two categories of activities:

- Governmental activities - Most of the County's basic services are reported here including public safety, judicial system, health and welfare, parks and recreation and general administration. Property taxes, state shared revenues and state and federal grant funds make up the majority of revenue for these activities.
- Business-type activities - The County charges a fee to customers to help it cover all or most of the costs of certain services it provides. The County Airport, Public Transit and the collection of delinquent property taxes primarily make up these activities.

The County also presents five legally separate component units; Economic Development Corporation, Schoolcraft Memorial Hospital, County Road Commission, Medical Care Facility and the Housing Commission which are reported separately from the financial information of the County. A separate financial statement is available for the component units at their administrative offices.



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

### Reporting the County's Most Significant Funds

#### Fund Financial Statements

Our analysis of the County's Major Funds begin on page 8. The fund financial statements begin on page 15 and provide detailed information on the most significant funds - not the County as a whole. Some funds are required to be established by State law, and by bond covenants. However, the County Board of Commissioners establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal requirements for certain taxes, grants, and other money. The County's two kinds of funds - *governmental and proprietary* - use different accounting methods.

- *Governmental funds* - Most of the County's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance County's program. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.
- *Proprietary funds* - When the County charges customers for the services it provides - whether to outside customers or to other units of the County - these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the County's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for other County programs and activities.

#### The County as a Trustee

The County is the trustee, or *fiduciary*, of tax receipts and other collections, which are collected for other agencies and held for a periodic payment to those agencies. The County's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 27. We exclude these funds from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

### The County as a Whole

The County's net combined assets declined by \$1,138,423.

**Table 1**  
**Net Assets**

	Governmental Activities		Business-Type Activities	
	2005	2004	2005	2004
Assets:				
Current and other assets	\$ 2,429,962	\$ 3,985,853	\$ 2,240,730	\$ 2,163,406
Capital assets (net)	1,548,900	1,567,371	1,278,383	918,176
Total Assets	<u>\$ 3,978,862</u>	<u>\$ 5,553,224</u>	<u>\$ 3,519,113</u>	<u>\$ 3,081,582</u>
Liabilities:				
Long-term debt outstanding	2,628,783	2,654,978	-	-
Other liabilities	419,883	451,234	113,273	54,135
Total Liabilities	<u>\$ 3,048,666</u>	<u>\$ 3,106,212</u>	<u>\$ 113,273</u>	<u>\$ 54,135</u>
Net Assets:				
Invested in capital assets, net of related debt	373,962	285,433	1,278,383	918,176
Restricted assets:				
Expendable	1,241,399	1,415,882	1,596	1,596
Unrestricted	(685,165)	745,697	2,125,861	2,107,675
Total Net Assets	<u>\$ 930,196</u>	<u>\$ 2,447,012</u>	<u>\$ 3,405,840</u>	<u>\$ 3,027,447</u>

Net assets of the County's governmental activities stood at \$930,196, down from \$2,447,012 in 2004 (-62%). Unrestricted net assets, the part of net assets that could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$(685,165) and \$745,697 for 2005 and 2004 respectively.

Net assets in our business-type activities stood at \$3,405,840, up from \$3,027,477 in 2004 (+12.5%). Unrestricted net assets for our business-type activities were \$2,125,861 and \$2,107,675 for 2005 and 2004 respectively. A large portion of net assets in our business-type activities is the result of the federal government funding a large portion of capital improvements at the county airport.

# MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

**Table 2**  
**Changes in Net Assets**

	Governmental Activities		Business-Type Activities	
	2005	2004	2005	2004
Revenues:				
Program Revenues:				
Charges for services	\$ 459,557	\$ 484,173	\$ 246,160	\$ 338,763
Operating grants	934,298	1,202,620	252,439	245,459
Capital grants	91,325	78,539	454,880	16,265
General Revenues:				
Property taxes	2,509,596	1,675,740	123,430	-
State revenue sharing	-	102,821	-	-
Unrestricted investment earnings	37,528	36,702	30,474	17,734
Miscellaneous	521,902	493,110	44,036	-
Total Revenues	<u>\$ 4,554,206</u>	<u>\$ 4,073,705</u>	<u>\$ 1,151,419</u>	<u>\$ 618,221</u>
Program Expenses:				
Legislative	\$ 88,451	\$ 85,054	\$ -	\$ -
Judicial system	1,050,501	978,870	-	-
General government	1,210,159	992,810	-	-
Public safety	1,045,374	910,920	-	-
Health and welfare	652,621	631,427	-	-
Recreation and culture	3,294	12,636	-	-
Other	265,751	201,634	-	-
Interest on long-term debt	119,107	155,071	-	-
Delinquent tax revolving	-	-	19,627	12,996
Jail commissary	-	-	10,182	7,265
Building inspection	-	-	62,381	59,418
Building maintenance	-	-	4,836	12,681
Airport	-	-	83,225	76,710
Public transit	-	-	548,367	514,536
Total Expenses	<u>\$ 4,435,258</u>	<u>\$ 3,968,422</u>	<u>\$ 728,618</u>	<u>\$ 683,606</u>
Excess (deficiency) before transfers and contributions	118,948	105,283	422,801	(65,385)
Transfers	<u>(1,635,764)</u>	<u>80,728</u>	<u>(44,408)</u>	<u>(47,322)</u>
Increase (decrease) in net assets	(1,516,816)	186,011	378,393	(112,707)
Net assets - beginning	<u>2,447,012</u>	<u>2,261,001</u>	<u>3,027,447</u>	<u>3,140,154</u>
Net assets - ending	<u>\$ 930,196</u>	<u>\$ 2,447,012</u>	<u>\$ 3,405,840</u>	<u>\$ 3,027,447</u>

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

### Governmental Activities

Revenues for the County's governmental activities totaled \$4,554,206, up 11.8% from \$4,073,705 in 2004, while expenses were \$6,071,022, up 53% from \$3,968,422. The main reason for the significant increase in governmental expenditures is due to an increase in transfers to the Medical Care Facility, which totaled \$1,819,444 in 2005 compared with \$244,233 in 2004. The excess of expenses over revenue was \$1,516,816 in 2005, whereas revenue exceeded expenses by \$186,011 in 2004.

Table three below reflects the cost of each of the County's five largest activities; General government, judicial system, public safety, health & welfare and other, - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the taxpayers.

**Table 3**  
**Government Activities**

	Total Cost of Services		Net Cost of Services	
	2005	2004	2005	2004
General government	\$ 1,210,159	\$ 992,810	\$ 495,915	\$ 251,776
Judicial system	1,050,501	978,870	943,145	839,463
Public safety	1,045,374	910,920	754,072	652,604
Health and welfare	652,621	631,427	448,194	298,905
Other	265,751	201,634	97,900	(92,419)
Totals	<u>\$ 4,224,406</u>	<u>\$ 3,715,661</u>	<u>\$ 2,739,226</u>	<u>\$ 1,950,329</u>

### Business-Type Activities

The County's business-type activities net assets totaled \$3,405,840, with an increase in the current year of \$378,393, compared with \$3,027,477 in 2004. A majority of the increase was due to capital contributions received through state and federal funding for the Airport and Public Transit in the amounts of \$200,857 and \$254,023, respectively.

### THE COUNTY'S FUNDS

The focus of the governmental funds of the County is to provide information on near-term inflows, outflows and balances in spendable resources. The fund information is useful to determine short-term financing requirements and can be used to measure the County's net resources available for spending at the end of the fiscal year.

## **MANAGEMENT DISCUSSION AND ANALYSIS (Continued):**

For the current fiscal year the County's governmental funds reported total fund balance of \$2,199,137, which was all unreserved. The General Fund unreserved fund balance amounted to \$183,852, with \$98,235 designated (see Note – C). The General Fund had a decrease in fund balance of \$43,272, representing a decrease of 19% over the prior year fund balance. The 911 Telephone Fund had a fund balance of \$408,070, Maintenance of Effort – Medical Care Facility Fund had an unreserved fund balance of \$334,285, and the Medical Care Facility Improvement Fund had an unreserved fund balance of \$519,445.

In fiscal year 2005, in accordance with Public Act 357 of 2004, the County established the Revenue Sharing Reserve Fund which is to be used to replace the State revenue sharing payments for the next several years. The Act calls for the County to put one-third of the December 2004 levy into this new fund, and put the same amount in the Revenue Sharing Reserve Fund from the December 2005 and 2006 levy's. In 2005, the County placed \$431,614 in property taxes from the December 2004 levy into the Revenue Sharing Reserve Fund and also transferred \$156,989 to the General Fund for operating purposes. In order to make up the shortfall in the General Fund for property tax revenue, the Act allowed the County to levy one-third of their property tax levy in July and that amount has been recognized as revenue in the General Fund for 2005.

### **General Fund Budgetary Highlights**

Over the course of the year, the budget was amended several times. These amendments were made to recognize changes to revenue or expenditures. The budgeted revenues net change from the original budget to the final amended budget amounted to \$115,052, representing an increase of 3.7%. The budgeted expenditures for the final amended budget increased by \$169,609 over the original budget, representing an increase of 5.9%. The original budget projected an increase of \$2,000 in net assets, while the actual results showed a decrease to fund balance of \$43,272. The majority of the decrease was due to actual state source revenue being less than expected during 2005.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of fiscal year 2005, the County had \$2,827,283, net of accumulated depreciation, invested in a variety of capital assets including machinery and equipment, buildings and improvements, parks, airport infrastructure and land. (See table 4 below).

**MANAGEMENT DISCUSSION AND ANALYSIS (Continued):**

**Table 4**  
**Capital Assets at Year-End**  
**(Net of accumulated depreciation)**

	Governmental Activities		Business-Type Activities	
	2005	2004	2005	2004
Land	\$ 73,822	\$ 73,822	\$ 48,890	\$ 40,027
Land improvements	-	-	844,490	665,160
Buildings and improvements	1,380,021	1,462,511	241,862	104,896
Machinery and equipment	60,051	27,056	51,466	54,688
Vehicles	35,006	3,982	91,675	53,405
Totals	<u>\$ 1,548,900</u>	<u>\$ 1,567,371</u>	<u>\$ 1,278,383</u>	<u>\$ 918,176</u>

**DEBT**

At year-end the County had \$2,628,783 in bonds and notes outstanding.

**Table 5**  
**Outstanding Debt at Year-End**

	Governmental Activities		Business-Type Activities	
	2005	2004	2005	2004
Building Authority Bonds:				
FIA Expansion	\$ 794,938	\$ 826,938	\$ -	\$ -
Courthouse Renovation	380,000	455,000	-	-
2004 Medical Care Facility	1,430,000	1,430,000	-	-
Notes Payable:				
Northern Lights Revolving Loan	23,845	28,040	-	-
Totals	<u>\$ 2,628,783</u>	<u>\$ 2,739,978</u>	<u>\$ -</u>	<u>\$ -</u>

There were additions of \$80,000 to long-term debt this fiscal year as a result of the refinancing of the 1995 Medical Care Facility bonds. The 2004 Medical Care Facility General Obligation Unlimited Tax Refunding Bonds were in the amount of \$1,345,000 to payoff \$1,265,000 of the prior bonds. The State of Michigan limits the amount of general obligation debt that local units of government can issue to 10% of the current equalized valuation, including TIF valuations. The County's outstanding general obligation debt of \$2,628,783 is well below statutory limits. There were no outstanding debt for business-type activities at year-end of 2005 and 2004.

## **MANAGEMENT DISCUSSION AND ANALYSIS (Continued):**

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The County Board of Commissioners and county management will consider many factors when setting the fiscal year budget, tax rates and fees that will be charged for services. One of these factors is the uncertainty of State revenue sharing cuts as well as other changes in State government which will affect the way programs and services are provided and funded. The economy in the Schoolcraft County area appears to be flat in relation to job growth or job loss. The cost of living in the Schoolcraft County area is below the national and State average, but real estate values continue to climb. The growth of other costs continue to rise at the national inflation rate or lower, with the exception of health care costs which continue to be a concern for the County and local employers. These factors were taken into account when adopting the 2006 budget.

### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers and customers, as well as investors and creditors with a general overview of the County's finances and to show the County's accountability for the revenues it receives. If you have questions about this report or need additional information, contact the County Administrator at the Schoolcraft County Courthouse, 300 Walnut Street, Room #169, Manistique, Michigan 49854.

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**STATEMENT OF NET ASSETS**

September 30, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents			
Restricted	\$ 295,260	\$ 1,596	\$ 296,856
Unrestricted	1,646,769	1,302,802	2,949,571
Receivables:			
Accounts	5,252	15,134	20,386
State of Michigan	274,674	121,602	396,276
Current/delinquent taxes	146,744	-	146,744
Interest	7,804	174	7,978
Due from other governmental units	14,510	-	14,510
Internal balances	-	52,592	52,592
Prepays	38,949	6,397	45,346
Unamortized discount on bonds	-	-	-
Inventory	-	-	-
Total current assets	<u>2,429,962</u>	<u>1,500,297</u>	<u>3,930,259</u>
Noncurrent assets:			
Investments/assets limited to use	-	394,001	394,001
Delinquent taxes	-	312,176	312,176
Accrued interest on delinquent taxes	-	34,256	34,256
Capital assets, net of accumulated depreciation	1,548,900	1,278,383	2,827,283
Other assets	-	-	-
Total noncurrent assets	<u>1,548,900</u>	<u>2,018,816</u>	<u>3,567,716</u>
Total assets	<u>\$ 3,978,862</u>	<u>\$ 3,519,113</u>	<u>\$ 7,497,975</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 66,676	\$ 76,972	\$ 143,648
Accrued payroll	75,430	14,169	89,599
Accrued interest	27,403	-	27,403
Due to other governmental units	20,911	-	20,911
Other liabilities	29,223	22,132	51,355
Internal balances	10,000	-	10,000
Long-term liabilities due within one year:			
Compensated absences	47,560	-	47,560
Bonds/loans payable	189,280	-	189,280
Total current liabilities	<u>466,483</u>	<u>113,273</u>	<u>579,756</u>
Long-term liabilities:			
Compensated absences	142,680	-	142,680
Bonds/loans payable	2,439,503	-	2,439,503
Total long-term liabilities	<u>2,582,183</u>	<u>-</u>	<u>2,582,183</u>
Total liabilities	<u>3,048,666</u>	<u>113,273</u>	<u>3,161,939</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	373,962	1,278,383	1,652,345
Restricted	-	1,596	1,596
Restricted for expendable:			
Special revenue	979,128	-	979,128
Debt service	262,271	-	262,271
Unrestricted	<u>(685,165)</u>	<u>2,125,861</u>	<u>1,440,696</u>
Total net assets	<u>930,196</u>	<u>3,405,840</u>	<u>4,336,036</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 3,978,862</u>	<u>\$ 3,519,113</u>	<u>\$ 7,497,975</u>

See accompanying notes to financial statements



Component Units				
Road Commission	Housing Commission	Economic Development Corporation	Schoolcraft Memorial Hospital	Medical Care Facility
\$ -	\$ -	\$ 56,509	\$ -	\$ -
1,177,490	217,916	2,496	733,527	794,818
20,782	11,354	15,345	2,279,891	379,175
363,447	-	-	-	-
-	-	-	-	-
8,686	-	-	-	-
389,610	-	-	-	-
-	-	-	-	-
32,289	10,922	-	114,649	-
26,400	-	-	-	-
246,379	-	-	288,537	-
<u>2,265,083</u>	<u>240,192</u>	<u>74,350</u>	<u>3,416,604</u>	<u>1,173,993</u>
-	-	-	1,141,120	247,168
-	-	-	-	-
-	-	-	-	-
7,433,732	1,466,640	23,539	4,914,958	3,954,837
-	-	-	38,579	929
<u>7,433,732</u>	<u>1,466,640</u>	<u>23,539</u>	<u>6,094,657</u>	<u>4,202,934</u>
<u>\$ 9,698,815</u>	<u>\$ 1,706,832</u>	<u>\$ 97,889</u>	<u>\$ 9,511,261</u>	<u>\$ 5,376,927</u>
\$ 101,561	\$ 41,511	\$ 4,150	\$ 185,226	\$ 153,206
61,824	7,586	2,115	1,261,272	84,103
-	-	-	-	-
139	-	-	335,347	-
191,328	3,994	-	-	51,868
-	-	-	-	-
-	15,319	-	-	182,488
-	-	-	481,617	-
<u>354,852</u>	<u>68,410</u>	<u>6,265</u>	<u>2,263,462</u>	<u>471,665</u>
296,094	5,995	-	-	-
<u>2,584,758</u>	<u>-</u>	<u>-</u>	<u>2,269,337</u>	<u>-</u>
<u>2,880,852</u>	<u>5,995</u>	<u>-</u>	<u>2,269,337</u>	<u>-</u>
<u>3,235,704</u>	<u>74,405</u>	<u>6,265</u>	<u>4,532,799</u>	<u>471,665</u>
5,273,676	1,466,640	23,539	-	3,954,837
1,189,435	-	-	31,486	-
-	-	-	-	-
-	-	-	-	-
-	165,787	68,085	4,946,976	950,425
<u>6,463,111</u>	<u>1,632,427</u>	<u>91,624</u>	<u>4,978,462</u>	<u>4,905,262</u>
<u>\$ 9,698,815</u>	<u>\$ 1,706,832</u>	<u>\$ 97,889</u>	<u>\$ 9,511,261</u>	<u>\$ 5,376,927</u>

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2005**

	Program Revenue				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	Component Units
<b>Functions/Programs</b>								
<b>Primary government:</b>								
Governmental activities:								
Legislative	\$ 88,451	\$ -	\$ -	\$ -	\$ (88,451)	\$ -	\$ (88,451)	\$ -
Judicial system	1,050,501	-	107,356	-	(943,145)	-	(943,145)	-
General government	1,210,159	415,729	298,515	-	(495,915)	-	(495,915)	-
Public safety	1,045,374	3,970	196,007	91,325	(754,072)	-	(754,072)	-
Health and welfare	652,621	16,322	188,105	-	(448,194)	-	(448,194)	-
Recreation and culture	3,294	-	-	-	(3,294)	-	(3,294)	-
Other	265,751	23,536	144,315	-	(97,900)	-	(97,900)	-
Interest on long-term debt	119,107	-	-	-	(119,107)	-	(119,107)	-
Total governmental activities	4,435,258	459,557	934,298	91,325	(2,950,078)	-	(2,950,078)	-
Business-type activities:								
Delinquent tax revolving/tax collections	19,627	98,896	-	-	-	79,269	79,269	-
Jail commissary	10,182	9,424	-	-	-	(758)	(758)	-
Building inspection	62,381	52,002	-	-	-	(10,379)	(10,379)	-
Building maintenance	4,836	1,196	-	-	-	(3,640)	(3,640)	-
Airport	83,225	-	-	200,857	-	117,632	117,632	-
Public transit	548,367	84,642	252,439	254,023	-	42,737	42,737	-
Total business-type activities	728,618	246,160	252,439	454,880	-	224,861	224,861	-
Total primary government	5,163,876	705,717	1,186,737	546,205	(2,950,078)	224,861	(2,725,217)	-
<b>Component units:</b>								
Road Commission	3,592,123	1,199,847	1,962,364	516,214	-	-	-	86,302
Housing Commission	482,533	141,138	198,832	-	-	-	-	(142,563)
Economic Development Corporation	416,014	-	137,308	259,482	-	-	-	(19,224)
Schoolcraft Memorial Hospital	17,434,863	17,943,073	-	-	-	-	-	508,210
Medical Care Facility	6,004,119	5,652,799	-	-	-	-	-	(351,320)
Total component units	\$ 27,929,652	\$ 24,936,857	\$ 2,298,504	\$ 775,696	-	-	-	81,405
General revenues:								
Property taxes, levied for general purposes					2,330,913	123,430	2,454,343	-
Property taxes, levied for debt service					178,683	-	178,683	-
Unrestricted investment earnings					37,528	30,474	68,002	58,496
Gain on sale of fixed assets					-	48,822	48,822	20,783
Miscellaneous					521,902	1,213	523,115	8,197
Unrealized loss on investments					-	(5,999)	(5,999)	-
Transfers					(1,635,764)	(44,408)	(1,680,172)	-
Total general revenues and transfers					1,433,262	153,532	1,586,794	87,476
Change in net assets					(1,516,816)	378,393	(1,138,423)	168,881
Net assets, beginning					2,447,012	3,027,447	5,474,459	17,902,005
Net assets, ending					\$ 930,196	\$ 3,405,840	\$ 4,336,036	\$ 18,070,886

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN****BALANCE SHEET****GOVERNMENTAL FUNDS****September 30, 2005**

	<u>General Fund</u>	<u>911 Telephone</u>	<u>Maintenance of Effort - Medical Care Facility</u>	<u>Medical Care Facility Improvement</u>
<b>ASSETS</b>				
Cash and equivalents:				
Restricted	\$ 98,235	\$ 146,114	\$ -	\$ -
Unrestricted	(44,247)	237,296	346,212	518,517
Receivables:				
State of Michigan	59,223	25,589	-	-
Delinquent property taxes	146,744	-	-	-
Accounts	2,694	-	-	-
Accrued interest	5,268	-	343	928
Due from other governmental units	14,210	-	-	-
Due from other funds	2,000	-	-	-
Prepaid expense	32,391	-	-	-
	<u>\$ 316,518</u>	<u>\$ 408,999</u>	<u>\$ 346,555</u>	<u>\$ 519,445</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 39,335	\$ 570	\$ 12,270	\$ -
Due to other funds	-	-	-	-
Due to other governmental units	-	-	-	-
Accrued payroll and related liabilities	64,108	359	-	-
Deferred revenue	29,223	-	-	-
	<u>132,666</u>	<u>929</u>	<u>12,270</u>	<u>-</u>
<b>FUND BALANCES</b>				
Unreserved:				
Designated	98,235	146,114	-	-
Undesignated	85,617	261,956	334,285	519,445
Unreserved, reported as non-major:				
Special revenue funds	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
	<u>183,852</u>	<u>408,070</u>	<u>334,285</u>	<u>519,445</u>
Total liabilities and fund balances	<u>\$ 316,518</u>	<u>\$ 408,999</u>	<u>\$ 346,555</u>	<u>\$ 519,445</u>

See accompanying notes to financial statements

Nonmajor Governmental Funds	Total Governmental Funds
\$ 35,486	\$ 279,835
577,593	1,635,371
189,862	274,674
-	146,744
2,365	5,059
1,265	7,804
300	14,510
-	2,000
3,234	35,625
<u>\$ 810,105</u>	<u>\$ 2,401,622</u>
\$ 12,746	\$ 64,921
12,000	12,000
20,911	20,911
10,963	75,430
-	29,223
<u>56,620</u>	<u>202,485</u>
33,591	277,940
-	1,201,303
427,875	427,875
275,496	275,496
16,523	16,523
<u>753,485</u>	<u>2,199,137</u>
<u>\$ 810,105</u>	<u>\$ 2,401,622</u>

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE**  
**TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**  
**September 30, 2005**

Total fund balances for governmental funds \$ 2,199,137

Total net assets reported for governmental activities in the statement of net assets  
is different because:

Capital assets used in governmental activities are not financial resources and  
therefore are not reported in the funds. Those assets consist of:

Land and land improvements	73,822	
Buildings and improvements	3,219,877	
Equipment	31,921	
Vehicles	13,700	
Accumulated depreciation	<u>(1,841,503)</u>	
Total capital assets		1,497,817

The County uses internal service funds for the purpose of internally  
financing various County projects and for activities related to the Service  
Center. The assets and liabilities of these internal service funds are included  
in the governmental activities in the statement of net assets.

79,668

Long-term liabilities applicable to the County's governmental activities are not  
due and payable in the current period and accordingly are not reported as  
fund liabilities. Interest on long-term debt is not accrued in governmental  
funds, but rather is recognized as an expenditure when due. All liabilities,  
both current and long-term, are reported in the statement of net assets.

Accrued interest on long-term debt	(27,403)	
Bonds/loans payable	(2,628,783)	
Compensated absences	<u>(190,240)</u>	<u>(2,846,426)</u>

Total net assets of governmental activities \$ 930,196

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2005**

	General Fund	911 Telephone	Maintenance of Effort - Medical Care Facility	Medical Care Facility Improvement
<b>REVENUES:</b>				
Taxes	\$ 1,775,957	\$ -	\$ 1,083	\$ -
Licenses and permits	11,448	-	-	-
Federal sources	123,756	-	-	-
State sources	174,759	82,864	-	-
Local sources	-	42,989	-	-
Charges for services	404,281	-	-	-
Interest and rentals	36,342	-	8,219	20,773
Other	521,903	434	-	-
Total revenues	3,048,446	126,287	9,302	20,773
<b>EXPENDITURES:</b>				
Legislative	86,503	-	-	-
Judicial system	868,322	-	-	-
General government	1,043,946	-	-	-
Public safety	808,330	82,999	-	-
Health and welfare	153,100	-	82,290	-
Recreation and cultural	3,294	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	4,195	-	-	-
Interest	522	-	-	-
Other	89,091	-	-	-
Total expenditures	3,057,303	82,999	82,290	-
Excess revenues (expenditures)	(8,857)	43,288	(72,988)	20,773
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of fixed assets	-	-	-	-
Transfer in	389,327	-	-	205,358
Transfer out	(423,742)	-	-	(1,819,444)
Total other financing sources (uses)	(34,415)	-	-	(1,614,086)
Net change in fund balance	(43,272)	43,288	(72,988)	(1,593,313)
Fund balances - beginning of year	227,124	364,782	407,273	2,112,758
Fund balances - end of year	\$ 183,852	\$ 408,070	\$ 334,285	\$ 519,445

See accompanying notes to financial statements

Nonmajor Governmental Funds	Total Governmental Funds
\$ 733,639	\$ 2,510,679
-	11,448
217,697	341,453
322,537	580,160
2,231	45,220
33,957	438,238
11,057	76,391
28,281	550,618
<u>1,349,399</u>	<u>4,554,207</u>
-	86,503
154,440	1,022,762
-	1,043,946
153,721	1,045,050
383,716	619,106
	3,294
57,327	57,327
187,000	191,195
99,599	100,121
176,660	265,751
<u>1,212,463</u>	<u>4,435,055</u>
<u>136,936</u>	<u>119,152</u>
-	-
191,140	785,825
(178,403)	(2,421,589)
<u>12,737</u>	<u>(1,635,764)</u>
149,673	(1,516,612)
<u>603,812</u>	<u>3,715,749</u>
<u>\$ 753,485</u>	<u>\$ 2,199,137</u>

See accompanying notes to financial statements

**SCHOOLCRAFT COUNTY, MICHIGAN**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2005**

Net changes in fund balances - total governmental funds	\$ (1,516,612)
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$84,137) exceeded capital outlays \$45,622.	(38,515)
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Internal service funds are used by management to account for activities related to services provided between funds of the County. The net revenue (expense) of the internal service funds is reported with governmental activities.	(9,399)
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Repayment of State of Michigan advance to the County for its October 2005 revenue sharing payment which was recorded as a liability on the Statement of Net Assets during the prior year.	34,219
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds.	26,194
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Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Compensated absences	6,283		
Accrued interest on bonds	(18,986)	(12,703)	
Changes in net assets of governmental activities			\$ (1,516,816)

See accompanying notes to financial statements



**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**September 30, 2005**

	Airport	Public Transit	Tax Revolving 2001	Tax Revolving 2003
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents				
Restricted	\$ 1,596	\$ -	\$ -	\$ -
Unrestricted	1	131,486	136,887	594,703
Receivables:				
State of Michigan	-	121,602	-	-
Accounts	-	11,748	27	1,139
Current taxes	-	-	-	-
Accrued interest	-	174	-	-
Due from other funds	-	-	-	15,682
Prepaid expenses	-	5,517	-	-
Total current assets	<u>1,597</u>	<u>270,527</u>	<u>136,914</u>	<u>611,524</u>
Noncurrent assets:				
Investments	-	-	394,001	-
Delinquent taxes	-	-	239	48,162
Accrued interest on delinquent taxes	-	-	53	15,558
Capital assets, net of accumulated depreciation	<u>900,666</u>	<u>377,717</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>900,666</u>	<u>377,717</u>	<u>394,293</u>	<u>63,720</u>
Total assets	<u>\$ 902,263</u>	<u>\$ 648,244</u>	<u>\$ 531,207</u>	<u>\$ 675,244</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 597	\$ 73,645	\$ 24	\$ 1,198
Accrued payroll	-	12,377	-	-
Other liabilities	-	22,132	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>597</u>	<u>108,154</u>	<u>24</u>	<u>1,198</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	900,666	377,717	-	-
Restricted	1,596	-	-	-
Unrestricted	<u>(596)</u>	<u>162,373</u>	<u>531,183</u>	<u>674,046</u>
Total net assets	<u>901,666</u>	<u>540,090</u>	<u>531,183</u>	<u>674,046</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 902,263</u>	<u>\$ 648,244</u>	<u>\$ 531,207</u>	<u>\$ 675,244</u>

See accompanying notes to financial statements

Tax Revolving 2004	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ -	\$ -	\$ 1,596	\$ 15,425
226,604	213,121	1,302,802	11,398
-	-	121,602	-
-	2,220	15,134	193
-	-	-	-
-	-	174	-
36,910	-	52,592	-
-	880	6,397	3,324
<u>263,514</u>	<u>216,221</u>	<u>1,500,297</u>	<u>30,340</u>
-	-	394,001	-
260,845	2,930	312,176	-
18,645	-	34,256	-
-	-	1,278,383	51,083
<u>279,490</u>	<u>2,930</u>	<u>2,018,816</u>	<u>51,083</u>
<u>\$ 543,004</u>	<u>\$ 219,151</u>	<u>\$ 3,519,113</u>	<u>\$ 81,423</u>
\$ 535	\$ 973	\$ 76,972	\$ 1,755
-	1,792	14,169	-
-	-	22,132	-
-	-	-	-
<u>535</u>	<u>2,765</u>	<u>113,273</u>	<u>\$ 1,755</u>
-	-	1,278,383	51,083
-	-	1,596	-
<u>542,469</u>	<u>216,386</u>	<u>2,125,861</u>	<u>28,585</u>
<u>542,469</u>	<u>216,386</u>	<u>3,405,840</u>	<u>79,668</u>
<u>\$ 543,004</u>	<u>\$ 219,151</u>	<u>\$ 3,519,113</u>	<u>\$ 81,423</u>

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2005**

	Airport	Public Transit	Tax Revolving 2001	Tax Revolving 2003
<b>OPERATING REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-
State sources	-	-	-	-
Charges for services	-	84,642	61	15,058
Interest and rentals	-	-	515	15,356
Other	-	-	225	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total operating revenue	-	84,642	801	30,414
	<hr/>	<hr/>	<hr/>	<hr/>
<b>OPERATING EXPENSES:</b>				
Salaries and fringes	1,392	387,850	-	-
Administrative fees	-	-	1,135	1,198
Contracted services	30,005	23,342	-	-
Repairs and maintenance	11,391	66,139	-	-
Depreciation	31,304	60,157	-	-
Other	9,133	10,879	-	5,888
	<hr/>	<hr/>	<hr/>	<hr/>
Total operating expenses	83,225	548,367	1,135	7,086
	<hr/>	<hr/>	<hr/>	<hr/>
Operating income (loss)	(83,225)	(463,725)	(334)	23,328
	<hr/>	<hr/>	<hr/>	<hr/>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Millage and taxes	-	123,430	-	-
Unrealized loss on investments	-	-	(5,999)	-
Gain on sale of fixed assets	-	-	-	-
Interest income	-	2,438	12,201	13,796
Other income	-	1,213	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total nonoperating revenues (expenses)	-	127,081	6,202	13,796
	<hr/>	<hr/>	<hr/>	<hr/>
Income (loss) before transfers and contributions	(83,225)	(336,644)	5,868	37,124
	<hr/>	<hr/>	<hr/>	<hr/>
Capital/grant contributions	200,857	506,462	-	-
Transfer in	68,693	-	-	-
Transfer out	-	-	(38,101)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets	186,325	169,818	(32,233)	37,124
	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets - beginning	715,341	370,272	563,416	636,922
	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets - ending	\$ 901,666	\$ 540,090	\$ 531,183	\$ 674,046
	<hr/>	<hr/>	<hr/>	<hr/>

See accompanying notes to financial statements

Tax Revolving 2004	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	6,600	6,600	-
13,571	65,849	179,181	6,986
29,352	14,069	59,292	-
-	862	1,087	28,716
<u>42,923</u>	<u>87,380</u>	<u>246,160</u>	<u>\$ 35,702</u>
-	59,248	448,490	-
774	-	3,107	95,226
-	8,909	62,256	-
-	-	77,530	-
-	148	91,609	15,583
1,968	17,758	45,626	-
<u>2,742</u>	<u>86,063</u>	<u>728,618</u>	<u>110,809</u>
<u>40,181</u>	<u>1,317</u>	<u>(482,458)</u>	<u>\$ (75,107)</u>
-	-	123,430	-
-	-	(5,999)	-
-	48,822	48,822	-
2,039	-	30,474	-
-	-	1,213	-
<u>2,039</u>	<u>48,822</u>	<u>197,940</u>	<u>-</u>
42,220	50,139	(284,518)	(75,107)
-	-	707,319	-
500,010	25,000	593,703	65,708
-	(600,010)	(638,111)	-
542,230	(524,871)	378,393	(9,399)
239	741,257	3,027,447	89,067
<u>\$ 542,469</u>	<u>\$ 216,386</u>	<u>\$ 3,405,840</u>	<u>\$ 79,668</u>

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended September 30, 2005

	Airport	Public Transit	Tax Revolving 2001	Tax Revolving 2003	Tax Revolving 2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ -	\$ 85,857	\$ 196	\$ 14,106	\$ 13,571
Receipts from interest and rents	-	-	530	24,026	10,707
Cash received for collection of taxes	-	-	1,358	293,822	393,220
Cash receipts from interfund services provided	-	-	-	30,198	-
Payments to suppliers	(40,818)	(35,900)	-	-	-
Payments for wages and related benefits	(1,392)	(387,761)	-	-	-
Cash payments for taxes	-	-	-	-	(654,065)
Other receipts (payments)	(19,089)	-	(1,721)	(6,427)	(39,117)
Net cash provided (used) by operating activities	(61,299)	(337,804)	363	355,725	(275,684)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Grants received	-	171,387	-	-	-
Tax levy received	-	124,756	-	-	-
Operating transfer in	68,693	-	-	-	500,010
Operating transfer out	-	-	(38,101)	-	-
Net cash provided (used) by noncapital financing activities	68,693	296,143	(38,101)	-	500,010
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Sale or (purchase) of fixed assets	(208,250)	(254,747)	-	-	-
Capital contributions	200,857	254,023	-	-	-
Net cash provided (used) by capital and related financing activities	(7,393)	(724)	-	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest earnings	-	2,368	12,201	13,796	2,039
Net increase (decrease) in cash and equivalents	1	(40,017)	(25,537)	369,521	226,365
Cash and equivalents, beginning of year	1,596	171,503	162,424	225,182	239
Cash and equivalents, end of year	<u>\$ 1,597</u>	<u>\$ 131,486</u>	<u>\$ 136,887</u>	<u>\$ 594,703</u>	<u>\$ 226,604</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>					
Operating income (loss)	\$ (83,225)	\$ (463,725)	\$ (334)	\$ 23,328	\$ 40,181
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation expense	31,304	60,157	-	-	-
Changes in assets and liabilities:					
(Increase) decrease in receivables	-	1,215	1,508	301,540	(279,490)
(Increase) decrease in prepaid expenses	-	(4,761)	-	-	-
(Increase) decrease in due from other funds	-	-	-	30,198	(36,910)
Increase (decrease) in accounts payable	578	69,221	(811)	659	535
Increase (decrease) in accrued payroll	-	-	-	-	-
Increase (decrease) in other liabilities	-	89	-	-	-
Increase (decrease) in due to other funds	(9,956)	-	-	-	-
Total adjustments	21,926	125,921	697	332,397	(315,865)
Net cash provided by operating activities	<u>\$ (61,299)</u>	<u>\$ (337,804)</u>	<u>\$ 363</u>	<u>\$ 355,725</u>	<u>\$ (275,684)</u>

See accompanying notes to financial statements

Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 70,527	\$ 184,257	\$ -
14,898	50,161	-
32,675	721,075	-
-	30,198	35,527
(1,920)	(78,638)	(91,397)
(59,036)	(448,189)	-
-	(654,065)	-
(11,570)	(77,924)	-
<u>\$ 45,574</u>	<u>\$ (273,125)</u>	<u>\$ (55,870)</u>
-	171,387	-
-	124,756	-
25,000	593,703	65,708
(600,010)	(638,111)	-
<u>(575,010)</u>	<u>251,735</u>	<u>65,708</u>
60,000	(402,997)	-
-	454,880	(35,628)
<u>60,000</u>	<u>51,883</u>	<u>(35,628)</u>
-	30,404	-
(469,436)	60,897	(25,790)
<u>682,557</u>	<u>1,243,501</u>	<u>52,613</u>
<u>\$ 213,121</u>	<u>\$ 1,304,398</u>	<u>\$ 26,823</u>
<u>\$ 1,317</u>	<u>\$ (482,458)</u>	<u>\$ (75,107)</u>
148	91,609	15,583
38,182	62,955	(175)
-	(4,761)	3,560
7,100	388	-
(1,385)	68,797	269
212	212	-
-	89	-
-	(9,956)	-
<u>44,257</u>	<u>209,333</u>	<u>19,237</u>
<u>\$ 45,574</u>	<u>\$ (273,125)</u>	<u>\$ (55,870)</u>

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**September 30, 2005**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents:	
Unrestricted	\$ 275,145
Receivables:	
Due from other governmental units	9,986
Other assets	<u>1,946</u>
Total assets	<u><u>\$ 287,077</u></u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 10,535
Due to other funds	42,592
Due to other units governmental units	51,350
Undistributed taxes	3,411
Other liabilities	<u>179,189</u>
Total liabilities	<u><u>\$ 287,077</u></u>

See accompanying notes to financial statements

# COUNTY OF SCHOOLCRAFT, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background – The County of Schoolcraft was organized under the Michigan Constitution. The County is operated under a Commission form of government and provides services in the following functional areas: legislative, courts, public records, public roads, management, building operation and expense, human services, resource management and development, law enforcement, and health services.

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements and management's Discussion and Analysis*. GASB 34 significantly changes financial reporting for governmental agencies by adding government-wide financial statements, management's discussion and analysis and reporting on infrastructure.

Reporting Entity - For financial reporting purposes, in conformance with GASB Statement 14, Schoolcraft County (the primary government) includes all funds, account groups, agencies, boards, commissions, other component units, and authorities that are controlled by or dependent on the County's legislative branch, the County Commission. Control by or dependence is determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the County, obligation of the County to finance any deficits that may occur, or receipt of significant subsidies from the County. In addition, State of Michigan - Department of Treasury pronouncements were considered in the determination process. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Component Units - In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units - The County has three component units for which the financial data has been blended with the primary government financial statements.

Schoolcraft County Building Authority – The Schoolcraft County Building Authority is governed by a board of six members, which have been appointed by the County's Board of Commissioners. For financial reporting purposes, the Building Authority is reported as the County Building Retirement fund and is included as part of the County's operations because its purpose is to finance the construction of the County Building

Schoolcraft County Public Transit – The Public Transit is governed by a six-member board, which is appointed by the County's Board of Commissioners and includes two County Commissioners. The Transit provides transportation services for the residents of Schoolcraft County. The Transit may not issue debt or levy taxes without the County's approval. The fiscal year for the Transit is October 1 through September 30.



**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2005**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Commission on Aging – The Commission on Aging is governed by a board, which has been appointed by the County's Board of Commissioners. The Commission on Aging provides services to the residents of Schoolcraft County and therefore is included as part of the primary government.

Discretely presented component unit - The component unit columns in the combined financial statements include the financial data of the Schoolcraft County Medical Care Facility, Schoolcraft County Housing Commission, Schoolcraft County Road Commission, Schoolcraft Memorial Hospital, and the Economic Development Corporation (EDC). The component units are reported in a separate column to emphasize that they are legally separate from the County.

Schoolcraft County Medical Care Facility – The facility is governed by the Schoolcraft County Department of Human Services Board which consists of three members, two of whom are appointed by the Schoolcraft County Board of Commissioners and one appointed by the Michigan Governor. The Medical Care Facility may not issue debt or levy property taxes without the County's approval.

Schoolcraft County Medical Care Facility  
520 Main Street  
Manistique, Michigan 49854

Schoolcraft County Housing Commission – The Schoolcraft County Housing Commission was formed by the Schoolcraft County Board under Public Act 18 of 1933 of the State of Michigan. The Commission operates under a Board of Commissioners appointed by the County.

Schoolcraft County Housing Commission  
900 Steuben  
Manistique, Michigan 49854

Schoolcraft County Road Commission - The citizenry in a general, popular election elects the members of the governing board of the Road Commission. The Road Commission provides the citizens of Schoolcraft County road service and maintenance. The Road Commission may not issue debt or levy a tax without the County Board of Commissioners approval. Complete financial statements of the Road Commission can be obtained directly from their administrative office.

Schoolcraft County Road Commission  
P.O. Box 160  
Manistique, Michigan 49854

# COUNTY OF SCHOOLCRAFT, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Schoolcraft Memorial Hospital – The Schoolcraft Memorial Hospital was organized under Public Act 230 of the Public Acts of 1987 and is a county hospital corporation that operates a 25-bed acute care facility. The Hospital provides comprehensive inpatient, outpatient, emergency, medical, and home health services. The Hospital's most current audit report is included within the financial statements of Schoolcraft County with a fiscal year ending December 31, 2004. Additional financial information of the Hospital may be obtained directly from their administrative offices.

Schoolcraft Memorial Hospital  
500 Main Street  
Manistique, Michigan 49854

Schoolcraft County Economic Development Corporation (EDC) – The EDC was incorporated on March 12, 1982 by Schoolcraft County under the provisions of Act No. 338 of the Public Acts of 1974, as amended, for the purpose of preventing conditions of unemployment and to assist commercial enterprise in order to strengthen and revitalize the economy of Schoolcraft County. The EDC received an appropriation of \$5,000 from Schoolcraft County. Additional financial information of the corporation may be obtained directly from their administrative offices.

Schoolcraft County Economic Development Corporation  
321 Deer Street  
Manistique, Michigan 49854

Related Organization - The LMAS Health Department is a district health department covering the counties of Luce, Mackinac, Alger and Schoolcraft. The Board consists of eight members, with two members being appointed by each County. All financial operations of the Health Department are recorded in the books of Luce County. Each County makes an annual appropriation, which is given at the discretion of each County Board. Schoolcraft County's appropriation to the Health Department for the calendar year was \$11,347. There is no funding formula adopted by the member counties. A copy of the audit report may be acquired from the following:

LMAS District Health Department  
Hamilton Lake Road  
Newberry, Michigan 49868

Accounting Policies - The accounting policies of the County of Schoolcraft conform to accounting principles generally accepted in the United States of America as applicable to state and local governments. The following is a summary of the more significant policies:

# COUNTY OF SCHOOLCRAFT, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Accounting - The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide and fund financial statements - The government-wide financial statements include a Statement of Net Assets and a Statement of Activities which report the information on all non-fiduciary activities of the primary government and its component units. Most of the effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely primarily on user fees and charges for service. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identified with a specific function or segment. Program revenues include 1) charges for services to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a specific function or segment and 2) operating grants and contributions that are restricted to meeting the operating or capital requirements of a particular function or segment and 3) other revenues that are by definition related to the cost of providing a specific function or segment. Taxes, state revenue sharing and other items not specific to particular functions or segments are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting and financial statement presentation - The government-wide financial statements use the economic resources measurement focus and full accrual basis of accounting which also include the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon thereafter to be used to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.

# COUNTY OF SCHOOLCRAFT, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements are recorded only when the payment is due.

Property taxes, licenses, state revenue sharing, interest revenue and charges for services are considered susceptible to accrual and have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following as major governmental funds:

General Fund – The General Fund is the County's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

911 Telephone Fund – The 911 Telephone Fund accounts for the activities of the 911 system for Schoolcraft County.

Maintenance of Effort/Medical Care Facility (MOE/MCF) Fund – The Maintenance of Effort/Medical Care Facility Fund was established to account for the maintenance of effort activities of the Medical Care Facility.

Medical Care Facility (MCF) Improvement Fund – The Medical Care Facility (MCF) Improvement Fund accounts for the activities attributable to the improvement of the Medical Care Facility.

The County reports the following as major proprietary funds:

Public Transit – The Transit fund accounts for the activities relating to the operation of the public bus transportation system.

Airport – The Airport fund accounts for the activities relating to the operation of a county airport, which is utilized by commercial and private air carriers.

Tax Revolving 2001, 2003, and 2004 – These funds account for the purchase and subsequent collection of delinquent real property taxes from the various taxing units throughout the county.

Additionally, the County reports the following fund types:

Internal service funds - These funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, or to other governmental entities, on a cost reimbursement basis.

# COUNTY OF SCHOOLCRAFT, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Agency funds – Agency funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities enterprise funds, subject to the same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the governmental-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Transit and Airport enterprise funds are charges to customers for sales and services, and the principal operating revenues of the Tax Revolving 2001, Tax Revolving 2003, and Tax Revolving 2004 funds are interest and fees collected on delinquent property taxes. The County's internal service funds primarily recognize rental income as operating revenue related to renting space in county owned buildings to other governmental entities. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting - The County utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- a. In mid-year a proposed operating budget for the fiscal year commencing the following October 1st is submitted to the County Board of Commissioners. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including at least one formal public hearing conducted at the Courthouse to obtain taxpayer comment.
- c. Pursuant to statute, prior to commencement of a year, the budget for the ensuing year is legally enacted through adoption by the County Board of Commissioners.
- d. The general statute governing County budgetary activity is the Uniform Budgeting and Accounting Act.

# COUNTY OF SCHOOLCRAFT, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- e. The County of Schoolcraft adopts its Annual Budget on a line item basis. The budget structure consists of levels of detail as follows:

Resources (revenues)  
General appropriations and functional groups  
Departmental appropriations

At each level of detail, governmental operations are summarized into revenue or expenditure account groups. Budgetary control exists at the level adopted by the Board of Commissioners. Accounting, i. e. classification control, resides at the line item detail level.

- f. Budgets are adopted on a basis consistent with the accounting principles followed in the recording of transactions. Budgeted amounts reflected in the financial statements are as originally adopted and subsequently amended by the County Board of Commissioners.
- g. Budgets of certain funds reflect utilization of a portion of beginning fund balance. Only the appropriated beginning fund balance amount is reflected in the budgets under the caption "Fund balance, beginning of year."
- h. Budgets have been amended during 2005. All budget amendments are presented to the Finance Committee. In September, the Board of Commissioners approved all amendments to the annual budget.

Cash Equivalents - For the purpose of the statement of cash flows, the County considers all highly liquid investments with maturities of less than three months as cash equivalents.

Investments - Investments are carried at market with all dividends being reinvested.

Receivables - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The County has not recorded an allowance for uncollectible accounts, as the County does not anticipate that amount to be material.

Interfund Receivables and Payables - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the balance sheet.

Inventory - Inventory is accounted for under the consumption method for the reporting entity with the exception of the Schoolcraft County Road Commission, which is priced at cost as determined on the average unit cost method.

# COUNTY OF SCHOOLCRAFT, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes Receivable – The County of Schoolcraft property tax is levied on each December 1<sup>st</sup> and July 1<sup>st</sup> on the taxable valuation of property (as defined by State statutes) located in the County of Schoolcraft as of the preceding December 31<sup>st</sup> and July 1<sup>st</sup>.

Although the County of Schoolcraft 2004 ad valorem tax is levied and collectible on December 1, 2004, and 2005 ad valorem is levied and collectible on July 1, 2005, it is the County of Schoolcraft's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be paid from the delinquent tax revolving funds within one year.

Capital Assets – Capital assets, which include property, buildings, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the County, as well as its component units, are depreciated using the straight-line method over the following estimated useful lives:

	Years
Land improvements	5 - 25
Buildings and improvements	5 - 50
Machinery and equipment	3 - 20
Vehicles	3 - 5
Infrastructure	8 - 50

Compensated Absences – Compensated absences (unpaid vacation and sick leave) for governmental fund and similar component unit employees are recorded as expenditures in the year paid. It is the County's policy to liquidate any unpaid vacation or sick leave at year-end from future resources rather than currently available expendable resources. Accordingly, the entire unpaid liability for compensated absences for the governmental funds and similar component units are accrued in the government-wide financial statements and the proprietary financial statements.

Long-Term Obligations – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2005**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Fund Equity - Under the provisions of GASB Statement No. 1, a County may establish reserves for those portions of fund equity not appropriable for expenditure or which are legally segregated for a specific future use. Fund equity designations also may be established to indicate tentative plans for financial resource utilization in a future period.

Other Financing Sources (Uses) - The transfers of cash between the various County funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing and borrowing funds, respectively.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2005**

**NOTE B – CASH & EQUIVALENTS AND INVESTMENTS**

The composition of cash and equivalents, and investments as reported in the Statement of Net Assets is presented below:

	<u>Primary Government</u>	
	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash and equivalents:		
Deposits:		
Insured (FDIC)	\$ 306,636	\$ 313,294
Uninsured	3,214,936	4,564,950
Total cash	<u>\$ 3,521,572</u>	<u>\$ 4,878,244</u>
Government-Wide Statement of Net Asset Presentation:		
Cash and equivalents:		
Restricted	\$ 296,856	
Unrestricted	2,949,571	
Statement of Fiduciary Net Assets		
Cash and equivalents:		
Unrestricted	275,145	
Total cash and equivalents	<u>\$ 3,521,572</u>	
Investments:		
Risk categorized investments:		
Government bond and notes (2)	<u>\$ 394,001</u>	
Component Units:		
Cash and equivalents:		
Road Commission	\$ 1,177,490	
Housing Commission	217,916	
Economic Development Corporation	59,005	
Schoolcraft Memorial Hospital	733,527	
Medical Care Facility	794,818	
Total cash and equivalents	<u>\$ 2,982,756</u>	
Assets limited as to use:		
Schoolcraft Memorial Hospital	\$ 723,433	
Medical Care Facility	247,168	
Investments:		
Schoolcraft Memorial Hospital	417,687	
Total assets limited as to use and investments	<u>\$ 1,388,288</u>	

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2005**

**NOTE B – CASH & EQUIVALENTS AND INVESTMENTS (continued)**

Michigan statutes authorize the County to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposit, saving accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

*Interest Rate Risk.* The County carries no significant interest rate risk as all of its holdings are in bank accounts with a high degree of liquidity.

*Credit Risk.* State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations with a maximum maturity of 270 days.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure the County's deposits may not be returned. At September 30, 2005, the County held \$4,181,281 in checking and saving accounts. Of this amount, \$3,867,987 was uninsured and uncollateralized. Although such deposits exceed federally insured limits, they are in the opinion of management, subject to minimal risk.

*Concentration of Credit Risk.* The County has no significant concentration of credit risk due to the fact that its deposits are with area banks.

*Foreign Currency Risk.* The County has no foreign currency risk as it has no deposits or investments in foreign currency.

All deposits for the County are in accordance with statutory authority.

In accordance with GASB Statement No. 40, investments are classified into three categories of credit risk as follows:

Category 1: Insured or registered, or securities held by the County or its agents in Schoolcraft County's name.

Category 2: Uninsured and unregistered, with securities held by the counterparties or by its trust department or agent in Schoolcraft County's name.

Category 3: Uninsured and unregistered, with securities held by the counterparties or by its trust department or agent but not in Schoolcraft County's name.

# COUNTY OF SCHOOLCRAFT, MICHIGAN

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2005**

### **NOTE B – CASH & EQUIVALENTS AND INVESTMENTS (continued)**

#### Assets Limited as to Use:

Schoolcraft Memorial Hospital – The composition of assets limited to use at December 31, 2004 consists of cash and certificate of deposits stated at fair value. These assets have been designated by the Board for funded depreciation in the amount of \$549,755, risk management for \$142,192 and donor restricted for specific purposes for \$31,486, for total assets limited as to use in the amount of \$723,433.

Schoolcraft County Medical Care Facility – The composition of assets limited to use at September 30, 2005 consists of cash. These assets have been limited to use by the Schoolcraft County Department of Human Services Board for future capital purchases.

#### Investments:

Schoolcraft Memorial Hospital – Investments, which are stated at fair value as of December 31, 2004 consist of certificate of deposits in the amount of \$307,421 and common stock in the amount of \$110,266.

### **NOTE C – RESTRICTED CASH**

Cash has been restricted within the listed funds as follows:

#### GOVERNMENTAL ACTIVITIES:

Total restricted cash reported within the governmental activities are \$295,260 as of September 30, 2005.

- 1 – General Fund – in the amount of \$95,413 for accrued sick and vacation, \$521 for the Prosecuting Attorney, \$2,301 for Pines Park; for total restricted cash in the amount of \$98,235.
- 2 – Special Revenue Funds – have restricted cash in the amount of \$146,114 for the 911 Telephone fund, \$2,038 for the Emergency Management Fund, \$1,706 for the Seniors Citizens Fund, and \$46 for the Juvenile Justice Fund; for a total in the amount of \$149,904.
- 3 – Capital Projects Funds – have restricted cash in the Capital Improvement fund in the amount of \$9,750 for Courthouse improvements, \$7,600 for courthouse parking lot, and \$2,150 for furniture, and the Capital Improvement – Public Safety fund in the amount of \$21,946 for repairs, jail renovation, and for the roof; for total restricted cash in the amount of \$31,696.
- 4 – Internal Service Funds – have restricted cash in the Computer Fund in the amount of \$7,176 for computer purchases, and the Motor Pool Police Vehicle Fund in the amount of \$8,249 for anticipated vehicle purchases; for total restricted cash in the amount of \$15,425.

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2005**

**NOTE C – RESTRICTED CASH (continued)**

**BUSINESS-LIKE ACTIVITIES:**

Total restricted cash reported within the business-like activities are \$1,596 as of September 30, 2005.

- 1 – Enterprise Funds – have restricted cash in the Airport fund in the amount of \$1,596 for repairs, fuel tanks and runways.

**NOTE D – INTERFUND RECEIVABLES AND PAYABLES**

Individual interfund receivable and payable balances at September 30, 2005 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$ 2,000	General Trust and Agency	\$ 2,000
DTRF 2004	36,910	General Trust and Agency	36,910
		General Trust and Agency	3,682
		Snowmobile Enforcement	12,000
DTRF 2003	15,682	Subtotal	15,682
Total	\$ 54,592	Total	\$ 54,592
Financial Statement Presentation:			
Governmental Funds	\$ 2,000	Governmental Funds	\$ 12,000
Enterprise Funds	52,592	Fiduciary Funds	42,592
Total	\$ 54,592		\$ 54,592

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2005**

**NOTE E – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2005, was as follows:

	Balance at 10/01/04	Additions	Disposals	Balance at 09/30/05
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 73,822	\$ -	\$ -	\$ 73,822
Capital assets being depreciated:				
Buildings and improvements	3,219,877	-	-	3,219,877
Machinery and equipment	144,687	43,171	48,328	139,530
Vehicles	91,947	38,078	14,933	115,092
Total capital assets	<u>3,530,333</u>	<u>81,249</u>	<u>63,261</u>	<u>3,548,321</u>
Less accumulated depreciation:				
Buildings and improvements	1,757,366	82,490	-	1,839,856
Machinery and equipment	117,631	10,176	48,328	79,479
Vehicles	87,965	7,054	14,933	80,086
Total accumulated depreciation	<u>1,962,962</u>	<u>99,720</u>	<u>63,261</u>	<u>1,999,421</u>
Governmental activities capital assets, net	<u>\$ 1,567,371</u>	<u>\$ (18,471)</u>	<u>\$ -</u>	<u>\$ 1,548,900</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 40,027	\$ 10,000	\$ 1,137	\$ 48,890
Capital assets being depreciated:				
Land improvements	723,000	208,250	-	931,250
Buildings and improvements	353,493	149,540	17,808	485,225
Machinery and equipment	59,238	6,683	9,905	56,016
Vehicles	320,822	88,522	-	409,344
Total capital assets	<u>1,496,580</u>	<u>462,995</u>	<u>28,850</u>	<u>1,930,725</u>
Less accumulated depreciation:				
Land improvements	57,840	28,920	-	86,760
Buildings and improvements	248,597	2,532	7,766	243,363
Machinery and equipment	4,550	-	-	4,550
Vehicles	10,000	-	-	10,000
Transit assets	257,417	60,157	9,905	307,669
Total accumulated depreciation	<u>578,404</u>	<u>91,609</u>	<u>17,671</u>	<u>652,342</u>
Business-type activities capital assets, net	<u>\$ 918,176</u>	<u>\$ 371,386</u>	<u>\$ 11,179</u>	<u>\$ 1,278,383</u>

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2005**

**NOTE E – CAPITAL ASSETS (continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Legislative	\$ 2,308
Judicial system	35,359
General government	19,465
Public safety	2,866
Health and welfare	39,722
Total governmental activities	
depreciation expense	<u>\$ 99,720</u>
Business-type activities:	
Airport	\$ 31,304
Transit	60,157
Building and property	148
Total business-type activities	
depreciation expense	<u>\$ 91,609</u>

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2005**

**NOTE F - ROAD COMMISSION CAPITAL ASSETS**

The following is a summary of changes in capital assets of the Road Commission:

	Balance at 10/01/04	Additions	Disposals	Balance at 09/30/05
Capital assets not being depreciated:				
Land	\$ 46,065	\$ -	\$ -	\$ 46,065
Infrastructure - Land improvements	562,209	206,539	-	768,748
Capital assets being depreciated:				
Land improvements	50,519	-	-	50,519
Buildings	3,450,151	14,877	-	3,465,028
Road equipment	3,747,249	257,210	72,575	3,931,884
Shop equipment	122,485	6,773	8,550	120,708
Office equipment	36,055	2,369	4,159	34,265
Engineers' equipment	16,865	-	-	16,865
Depletable assets	69,508	-	-	69,508
Infrastructure - Bridges	28,031	-	-	28,031
Infrastructure - Roads	2,718,702	604,005	-	3,322,707
Total capital assets	<u>10,847,839</u>	<u>1,091,773</u>	<u>85,284</u>	<u>11,854,328</u>
Less accumulated depreciation:				
Land improvements	3,368	3,368	-	6,736
Buildings	487,859	102,000	-	589,859
Road equipment	2,794,652	394,288	70,375	3,118,565
Shop equipment	79,102	7,702	8,246	78,558
Office equipment	17,921	3,469	3,409	17,981
Engineers' equipment	14,685	833	-	15,518
Depletable assets	22,403	-	-	22,403
Infrastructure - Bridges	4,672	2,336	-	7,008
Infrastructure - Roads	362,362	201,606	-	563,968
Total accumulated depreciation	<u>3,787,024</u>	<u>715,602</u>	<u>82,030</u>	<u>4,420,596</u>
Capital assets, net	<u>\$ 7,060,815</u>	<u>\$ 376,171</u>	<u>\$ 3,254</u>	<u>\$ 7,433,732</u>

The Road Commission has elected to prospectively report infrastructure assets, rather than retroactively report on infrastructure, as permitted by GASB Statement 34.

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2005**

**NOTE G – SCHOOLCRAFT MEMORIAL HOSPITAL CAPITAL ASSETS**

A summary of capital assets as of December 31, 2004 for the Schoolcraft Memorial Hospital:

Capital assets:

Land and land improvements	\$ 43,706
Buildings and improvements	6,019,798
Major movable equipment	5,681,662
Construction in progress	<u>200,513</u>
Total capital assets	11,945,679
Less accumulated depreciation	<u>7,030,721</u>
Capital assets, net	<u><u>\$ 4,914,958</u></u>

**NOTE H – MEDICAL CARE FACILITY CAPITAL ASSETS**

A summary of capital assets as of September 30, 2005 for the Schoolcraft County Medical Care Facility:

Capital assets:

Land	\$ 37,666
Building	5,439,040
Furniture, fixtures and equipment	<u>937,719</u>
Total capital assets	<u>6,414,425</u>

Accumulated depreciation:

Land improvements	37,488
Building	1,824,468
Furniture, fixtures and equipment	<u>597,632</u>
Total accumulated depreciation	<u>2,459,588</u>
Capital assets, net	<u><u>\$ 3,954,837</u></u>



**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2005**

**NOTE I – LONG-TERM DEBT**

The following is a summary of changes in long-term debt for the year ended September 30, 2005:

Type of Debt	10/1/2004	Additions	Deductions	9/30/2005	One Year
Governmental activities:					
Building Authority bonds:					
FIA Expansion	\$ 826,938	\$ -	\$ 32,000	\$ 794,938	\$ -
Courthouse Construction	455,000	-	75,000	380,000	80,000
2004 Medical Care Facility					
General Obligation Unlimited					
Tax Refunding Bonds	1,430,000	1,345,000	1,345,000	1,430,000	105,000
Northern Lights Revolving Loan	28,040	-	4,195	23,845	4,280
Compensated absences	196,523	-	6,283	190,240	47,560
Total governmental activities long-term debt	<u>\$ 2,936,501</u>	<u>\$ 1,345,000</u>	<u>\$ 1,462,478</u>	<u>\$ 2,819,023</u>	<u>\$ 236,840</u>

Debt service requirements on long-term debt at September 30, 2005 are as follows:

For the Year Ending September 30,	Governmental Activities	
	Bonds/Loan Payable	
	Principal	Interest
2006	\$ 189,280	\$ 85,655
2007	227,366	96,520
2008	234,454	87,857
2009	246,544	78,692
2010	213,635	69,376
2011-2015	933,566	231,360
2016-2020	450,000	81,400
2021-2025	133,938	7,225
Total	<u>\$ 2,628,783</u>	<u>\$ 738,085</u>

# COUNTY OF SCHOOLCRAFT, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

### NOTE I – LONG-TERM DEBT (continued)

#### **Governmental Activities:**

##### FIA Expansion

The County Building Authority issued \$1,038,000 Building Authority Bonds on July 31, 1996. The bonds were issued under the provisions of Act 31 of the Public Acts of Michigan of 1948, as amended, for the purpose of acquiring, construction, furnishing and equipping an addition to the Schoolcraft County Courthouse. The bonds were issued in anticipation of and are payable solely from certain cash rental payments on amounts sufficient to pay principal of and interest on the bonds when due. The bonds were issued in denominations of \$5,000 and bear a rate not to exceed 5%.

##### Courthouse Construction

The County Building Authority issued \$1,900,000 Building Authority Bonds on January 1, 1977. The bonds were issued under the provisions of the Public Acts of Michigan of 1948, as amended, for the purpose of acquiring, constructing, furnishing and equipping the County Courthouse. The bonds are payable from certain cash rental payments. The bonds are full faith and credit general obligations of the County of Schoolcraft payable from advalorem taxes, if necessary, which must be levied by the County to the extent necessary to make the principal and interest payments. The bonds were issued in denominations of \$5,000 and bear an interest rate of 5%.

##### 2004 Medical Care Facility General Obligation Unlimited Tax Refunding Bonds

The County of Schoolcraft issued \$1,345,000 General Obligation Unlimited Tax Refunding Bonds on September 1, 2004. The purpose of the bond issue is to refund the County's General Obligation Unlimited Tax Bonds, Series 1995, which was to pay part of the cost of constructing and equipping an addition to and renovating and re-equipping the Schoolcraft Medical Care Facility. The County is obligated to levy annually sufficient taxes to provide for the payment of the principal and interest on the refunding bonds of this issue as they mature. The bonds were issued in \$5,000 denominations with an interest rate from 2.0% to 3.75%.

##### Northern Lights Revolving Loan

The purpose of the promissory note proceeds were used for energy improvements which would lead to energy savings from the improvements sufficient to pay the loan payments of the note. The loan was entered into in December 2003 with 84 monthly installments in the amount of \$393.11 at an interest rate of 2%.

#### **Compensated Absences:**

Substantially all County employees are entitled to certain vacation and sick pay benefits that accrue and vest under various parameters, dependent upon which labor contract the employee is subject to or upon which department or fund the employee is within. Compensated absences in the amount of \$190,240 are reported

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2005**

**NOTE I – LONG-TERM DEBT (continued)**

under the governmental activities in the Statement of Net Assets.

Details of the various plans are as follows:

County General – Sick leave is earned at the rate of one hour for every twenty-one hours worked. It can be accumulated up to a maximum of 960 hours. Upon death, or retirement, an employee shall be paid on half of accumulated sick leave. Vacation pay is earned, after one year of employment, based on the employee's employment anniversary date and years of service.

**NOTE J - ROAD COMMISSION LONG-TERM DEBT**

**Bonds Payable:**

Michigan Transportation Fund Bonds, Series 2002 – In July 2002, the County of Schoolcraft approved a Schoolcraft County Road Commission Michigan Transportation Fund Bond Issue for the purpose of constructing road commission buildings. The issue was for \$2,000,000 and requires annual principal payments each August 1<sup>st</sup> and semi-annual interest payments each February 1<sup>st</sup> and August 1<sup>st</sup> and has a variable interest rate ranging from 2% to 4.85%.

**Notes Payable:**

Wells Fargo Bank 2003 – In 2003, the Road Commission financed the purchase of road equipment in the amount of \$504,647. The note calls for five annual payments of \$112,316 on each June 30<sup>th</sup>, bears an interest rate of 3.95% and is secured by the equipment.

**Compensated Absences:**

Road commission employment policies provide for vacation benefits to be earned in varying amounts depending on the number of years of service of the employee. Benefits earned by each employee in the current calendar year are to be paid to the employee in the subsequent calendar year, and are permitted to accumulate up to a maximum of 2 years of vacation benefits. Sick leave benefits are earned at the rate of 1 day for each calendar month in which the employee has worked at least 12 days and shall be accumulated up to 105 days. Upon reaching the maximum 105 days of sick leave, an additional 2 days per year will be granted for each year of agreement. Maximum sick days will be 111. Upon retirement or death, an employee, or their estate, shall be paid for 100% of accumulated sick leave. The total vacation and sick leave amount of \$296,094 is recorded in the statement of net assets as a liability.

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2005**

**NOTE J - ROAD COMMISSION LONG-TERM DEBT (continued)**

The general long-term debt of the Road Commission may be summarized as follows:

Type of Debt	Balance 10/1/2004	Additions	Deductions	Balance 9/30/2005
Bonds payable:				
Michigan Transportation Fund Bonds	\$ 1,900,000	\$ -	\$ 50,000	\$ 1,850,000
Notes payable:				
Wells Fargo 2003 Equipment	405,982	-	95,926	310,056
Compensated Absences	346,457	-	50,363	296,094
Total long-term debt	<u>\$ 2,652,439</u>	<u>\$ -</u>	<u>\$ 196,289</u>	<u>\$ 2,456,150</u>

Debt service requirements on long-term debt at September 30, 2005 are as follows:

For the Year Ending September 30,	County Road Commission			
	Bonds Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2006	\$ 50,000	\$ 81,384	\$ 99,784	\$ 12,532
2007	55,000	80,110	103,798	8,518
2008	55,000	78,542	106,474	5,842
2009	55,000	76,810	-	-
2010	60,000	74,940	-	-
2011-2015	335,000	339,540	-	-
2016-2020	425,000	262,098	-	-
2021-2025	550,000	150,684	-	-
2026-2027	265,000	20,000	-	-
Total	<u>\$ 1,850,000</u>	<u>\$ 1,164,108</u>	<u>\$ 310,056</u>	<u>\$ 26,892</u>

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2005**

**NOTE K – SCHOOLCRAFT MEMORIAL HOSPITAL LONG-TERM DEBT**

Required payments of principal on various notes payable at December 31, 2004, including current maturities, are summarized as follows:

For the Year Ending December 31	Notes Payable Principal
2005	\$ 481,617
2006	476,389
2007	302,733
2008	1,466,147
2009	24,068
Total	<u>\$ 2,750,954</u>

**NOTE L – MEDICAL CARE FACILITY COMPENSATED ABSENCES**

The Medical Care Facility's policies regarding vacation, sick and compensated time off allow non-union employees to accumulate earned but unused vacation and sick time, and for union employees to accumulate earned but unused compensated time off. The liability for these compensated absences is recorded as an accrued current liability on the Statement of Net Assets. As of September 30, 2005, the total accrued vacation, sick and compensated time off was \$19,586, \$33,847 and \$129,055, respectively, totaling \$182,488.

**NOTE M – PUBLIC TRANSIT COMPENSATED ABSENCES**

Vacation is earned on a variable basis, depending upon length of employment. Upon retirement or termination, employees are paid for all outstanding days accumulated at their current rate of pay. The amount of accrued vacation time at September 30, 2005 is \$5,027.

Sick leave is earned at the rate of one day per month, not exceeding twelve days per year. Upon retirement or disability, employees are eligible to receive one-half of such sick leave accumulated, up to a maximum of one hundred days, at their current rate of pay. The amount of accumulated sick leave recorded at one-half of the total accumulated sick leave is \$16,340. Actual sick leave available to be used upon illness is \$32,680.

Accruals for sick and vacation accumulated by Transit employees are reported as liabilities of that fund as required by accounting principles generally accepted in the United States of America.

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2005**

**NOTE N - OPERATING TRANSFERS IN AND OUT**

Transfers between governmental and proprietary funds are summarized as follows:

	Transfers In	Transfers Out
Governmental Funds:		
General Fund	\$ 389,705	\$ 423,742
Drug & Alcohol Enforcement	3,200	-
Friend of Court	25,000	-
Revenue Sharing Reserve	-	156,989
Budget Stabilization	-	64,369
Emergency Management	5,722	-
Law Library	24,500	-
Truancy Protection Grant	-	377
Juvenile Justice	22,800	-
Commission on Aging	5,000	-
Probate Child Care	100,000	-
Soldiers & Sailors Relief	760	-
Department of Social Services Debt	73,200	-
Medical Care Facility Improvement	205,358	1,819,444
Capital Improvement	-	29,868
Capital Improvement - Public Safety	1,506	-
Carpenter Dam - Maintenance & Repair	2,652	-
Enterprise Funds:		
Building Inspection	25,000	-
Airport Operations	68,693	-
Summer Tax Collections	-	-
Tax Revolving 1998	-	-
Tax Revolving 1999	-	-
Tax Revolving 2001	-	38,101
Tax Revolving 2002	-	600,010
Tax Revolving 2004	500,010	-
Internal Service Funds:		
Computer	14,000	-
Postage Meter	13,000	-
Telephone	15,000	-
Motor Pool	23,708	-
Component Units:		
Medical Care Facility	1,819,444	205,358
Total	\$ 3,338,258	\$ 3,338,258

## COUNTY OF SCHOOLCRAFT, MICHIGAN

### NOTES TO FINANCIAL STATEMENTS

September 30, 2005

#### NOTE O - RETIREMENT PLANS

##### **General County**

Plan Description – The County of Schoolcraft has five valuation divisions, which participate in a single retirement plan administered by the Municipal Employee's Retirement System (MERS). They are the General County, Sheriff-FOP, Sheriff's Department, Medical Care Facility, Senior Citizens and Housing which participate in a defined benefit contributory plan. The retirement plan covers substantially all full-time and limited part-time employees. MERS is a multiple-employer public employee retirement system that acts as a common investment and administrative agent for Michigan municipal employees. All full-time employees of the County participate in the system.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

General County Retirement Plan – The General County offers its various departments either benefit B-2 or B-4. Under benefit B-2 employees shall receive 2.0% of their three-year final average compensation. Under benefit B-4 employees shall receive 2.5% of their three-year final average compensation, with a maximum of 80% of final average compensation. Retirement eligibility and requirements vary by department. The most recent actuarial report gives the details of the plan and a copy is on file at the County Treasurer's office.

Actuarial Accrued Liability – The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2004. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.16% per year, depending on age, attributable to seniority/merit.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2004 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2005**

**NOTE O - RETIREMENT PLANS (continued)**

**GASB 25 INFORMATION (as of 12/31/04)**

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 6,130,858
Terminated employees not yet receiving benefits	620,628
Non-vested terminated employees	23,219
Current Employees:	
Accumulated employee contributions including allocated investment income	1,432,826
Employer financed	<u>9,560,250</u>
 Total actuarial accrued liability	 17,767,781
 Net assets available for benefits, at actuarial value (market value is \$13,356,215)	 <u>13,682,976</u>
 Unfunded (overfunded) actuarial accrued liability	 \$ 4,084,805

**GASB 27 INFORMATION (as of 12/31/04)**

Fiscal year beginning	October 1, 2006
Annual required contribution (ARC)	\$ 589,500
Amortization factor used - Underfunded Liabilities (30 years)	0.053632

Contributions Required and Contributions Made - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2004 were determined using the entry age normal cost actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost Year Ended September 30,	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2002	\$ 569,748	100%	-
2003	630,196	100%	-
2004	613,437	100%	-

The General County was required to contribute \$618,136 for the year ended September 30, 2005. Payments were based on contribution calculations made by MERS.



# COUNTY OF SCHOOLCRAFT, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

### NOTE O - RETIREMENT PLANS (continued)

The County is required to contribute at an actuarially determined rate, which is a percentage of covered payroll as listed below:

Valuation Division	Contribution Percentage		
	2006*	2005*	2004*
General	15.98%	15.98%	14.37%
Sheriff FOP	15.19%	18.46%	16.10%
MCF	8.78%	10.02%	8.73%
Senior Citizens Housing	15.26%	15.51%	14.98%
Judges	0.00%	0.00%	0.00%
Sheriff/Sheriff	14.31%	15.09%	14.60%
MCF Non-Union	15.79%	@	@

\* Represents the actuarial required contribution for the fiscal year ended.

@ New valuation division for 2006.

### Aggregate Accrued Liabilities - Comparative Schedule

Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
December 31,						
2002	\$ 11,653,334	\$ 15,548,004	\$ 3,894,670	75%	\$ 4,336,787	90%
2003	12,770,313	16,409,359	3,639,046	78%	4,591,671	79%
2004	13,682,976	17,767,781	4,084,805	77%	4,700,978	87%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

### County Road Commission - Component Unit

Description of Plan and Plan Assets – The Schoolcraft County Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employee's Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty connected death and post retirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25% times the final average compensation (FAC) with a maximum benefit of 80% of FAC. The most recent period for which actuarial date was available was for the fiscal year ended December 31, 2004.

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2005**

**NOTE O - RETIREMENT PLANS (continued)**

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining unit and personnel policy, which does not require employees to contribute to the plan. The Road Commission is required to contribute at an actuarially determined rate. At December 31, 2002, a rate of 17.19% of annual compensation was actuarially determined rate, to be applied to annual compensation for calendar year 2004.

Annual Pension Cost

For the calendar year ended December 31, 2004, the Road Commission's annual pension cost was \$243,432, which was equal to the Road Commission's actual contributions. The annual required contributions was determined as part of an actuarial valuation at December 31, 2002. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three Year Trend Information for GASB Statement No. 27

<u>Year Ended September 30,</u>	<u>Pension Cost (APC)</u>	<u>of APC Contribution</u>	<u>Pension Obligation</u>
2002	\$ 135,250	100%	\$ -
2003	176,935	100%	-
2004	243,432	100%	-

Required Supplementary Information for GASB Statement No. 27

<u>Valuation Date December 31,</u>	<u>Actuarial Value of Assets</u>	<u>Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
2002	\$ 6,019,534	\$ 7,865,688	\$ 1,846,154	77%	\$ 1,225,041	151%
2003	6,144,712	8,515,486	2,370,774	72%	1,276,177	186%
2004	6,305,405	9,196,675	2,891,270	69%	1,416,124	204%

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2005**

**NOTE O - RETIREMENT PLANS (continued)**

**Schoolcraft Memorial Hospital - Component Unit**

The Hospital sponsors a defined benefit plan through participation in the Michigan Municipal Employee's Retirement System (MMERS), an agent multiple-employer defined benefit pension plan that covers full-time employees of the Hospital hired before February 17, 1999, who did not elect to change to the defined contribution plan. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. MMERS issues a publicly available financial report that includes financial statements and required supplementary information for the system.

Benefits provisions of MMERS, and employer and employee obligations to contribute are outlined in ACT No. 427 of the Public Acts of 1984, as amended. Pension expense consists of normal costs of the plan and amortization of investments over a 10-year period.

The Hospital's contributions to the defined benefit plan amounted to \$236,634 for the year ended December 31, 2004.

The following table summarizes the benefit obligation, the fair value of assets, and the funded status of the plan as of the end of the plan years December 31, 2003, the last plan measurement date available:

	<u>2003</u>
Projected benefit obligation	\$ (13,558,331)
Fair value of plan assets as of December 31	<u>11,274,173</u>
Funded status at December 31	<u><u>\$ (2,284,158)</u></u>

The plan's current accumulated benefit obligation was \$9,798,860 at December 31, 2003, the plan measurement date. Fair value of plan assets exceeded the accumulated benefit obligation at December 31, 2003.

The amount of required contributions and benefits paid from the plan is as follows for the plan years ended December 31, 2003:

	<u>2003</u>
Annual contributions	252,979
Benefit payments	440,014

# **COUNTY OF SCHOOLCRAFT, MICHIGAN**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2005**

### **NOTE O - RETIREMENT PLANS (continued)**

The assumptions used in the measurement of the Hospital's benefit obligation are shown in the following table:

	<u>2003</u>
Discount rate	8.00%
Expected return on plan assets	8.00%
Rate of compensation increase	4.5% - 8.66%

The Hospital also sponsors a defined contribution plan covering all employees hired after February 17, 1999, and all other employees who elected to change from the defined benefit plan. Participating employees in this plan must contribute 5% of their gross earnings and the Hospital contributes 3% match for participants. The Hospital's contribution totaled \$152,169 for the year ended December 31, 2004.

### **NOTE P – DESIGNATED FUND BALANCE AND RESERVE RETAINED EARNINGS**

Various county funds have designated fund balance and retained earnings for cash restricted for various purposes. See Note – C “Restricted Cash”, for these specified purposes.

### **NOTE Q - CONTINGENT LIABILITIES**

The County participates in a number of Federal and State assisted grant programs, principal of which are the Friend of Court and Prosecuting Attorney Cooperative Reimbursement programs, which are subject to financial and compliance audits. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts if any, to be immaterial.

### **NOTE R - RISK MANAGEMENT**

The County of Schoolcraft participates as a member in the Michigan Municipal Risk Management Authority. The Authority is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and auto liability, motor vehicle physical damage, and property.

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2005**

**NOTE R - RISK MANAGEMENT (continued)**

The Authority has entered into reinsurance agreements providing for loss coverage in excess of the amounts to be retained by the Authority and individual members. An individual member's maximum retention on general liability and auto liability is \$100,000 per person and \$250,000 per occurrence. The limits on vehicle physical damage are \$1,500,000. The retention limits for property coverage are subject to a \$250 deductible. Some members have individual retention levels different than the ones previously stated.

The member must satisfy all deductibles before any payments are made from the member's self-insured retention or by MMRMA.

All costs including damages and allocated loss adjustment expenses are on an occurrence basis and must be paid first from the member's self-insured retention. The member's self-insured retention and deductibles must be satisfied fully before MMRMA will be responsible for any payments. The most MMRMA will pay is the difference between the member's self-insured retention and the Limits of Coverage.

Schoolcraft County agrees to maintain, at all times, on account with MMRMA, sufficient funds to pay its self-insured retention obligations. The member agrees to abide by all MMRMA rules, regulations, and administrative procedures pertaining to the member's self-insured retention.

At September 30, 2005, the County had no outstanding claims, which exceeded the plan's limits and there has been no significant reduction in insurance coverage over the past three years.

**REQUIRED SUPPLEMENTAL INFORMATION**

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended September 30, 2005**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 1,729,409	\$ 1,768,174	\$ 1,775,957	\$ 7,783
License and permits	12,100	12,450	11,448	(1,002)
Federal sources	115,000	119,249	123,756	4,507
State sources	325,271	332,942	174,759	(158,183)
Charges for services	380,840	413,433	404,281	(9,152)
Interest and rentals	40,000	33,646	36,342	2,696
Other	479,094	516,872	521,903	5,031
Total revenues	3,081,714	3,196,766	3,048,446	(148,320)
<b>EXPENDITURES:</b>				
Legislative:				
Board of commissioners	68,307	62,498	61,497	1,001
County memberships	25,460	25,006	25,006	-
Judicial system:				
Circuit court	136,157	168,515	167,821	694
District court	186,286	220,300	220,287	13
Friend of court	127,341	121,353	121,322	31
Jury commission	2,220	1,828	1,827	1
Probate court	122,543	122,948	122,895	53
Juvenile court	56,484	64,090	63,963	127
Prosecuting attorney	168,296	170,232	170,207	25
General government:				
Elections	8,690	3,394	3,392	2
Audit	28,500	28,500	27,500	1,000
Clerk	235,312	241,737	244,836	(3,099)
Equalization	148,076	140,448	140,440	8
Surveyor	2,510	2,510	2,492	18
Treasurer	191,002	194,568	194,449	119
Cooperative extension	64,986	68,041	68,823	(782)
Building and grounds	330,736	341,176	336,445	4,731
Drain commissioner	6,741	5,416	5,410	6
Planning and zoning	9,025	8,255	8,250	5
Copy machines	14,600	11,910	11,909	1
Recreation and cultural:				
Parks	3,343	3,306	3,294	12
Public safety:				
Sheriff's administration	68,082	72,185	72,175	10
Search and rescue	-	19	18	1
County jail	645,486	732,412	732,398	14
Animal control	3,351	2,780	2,707	73
Risk control safety commission	1,693	1,041	1,032	9
Health and welfare:				
Medical examiner	4,000	14,518	14,518	-
Veteran's counselor and burials	23,596	20,537	20,288	249
Other - appropriations	106,150	118,969	118,294	675

See accompanying notes to financial statements

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Debt service:				
Principal payments	-	-	4,195	(4,195)
Interest and fiscal charges	-	-	522	(522)
Other:				
Insurance liability	71,660	71,288	67,466	3,822
Unemployment	10,000	-	-	-
Workmen's compensation	2,250	2,991	2,990	1
Other	19,599	19,320	18,635	685
Total expenditures	2,892,482	3,062,091	3,057,303	4,788
Excess revenues (expenditures)	189,232	134,675	(8,857)	(143,532)
<b>OTHER FINANCING SOURCES (USES):</b>				
Other	(70,000)	-	-	-
Sale of fixed assets	-	8,059	-	(8,059)
Transfer in	217,150	284,709	389,327	104,618
Transfer out	(334,382)	(425,443)	(423,742)	1,701
Total other financing sources (uses)	(187,232)	(132,675)	(34,415)	98,260
Net changes in fund balances	2,000	2,000	(43,272)	(45,272)
Fund balances - beginning	227,124	227,124	227,124	227,124
Fund balances - ending	<u>\$ 229,124</u>	<u>\$ 229,124</u>	<u>\$ 183,852</u>	<u>\$ 181,852</u>

See accompanying notes to financial statements



**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**911 TELEPHONE**  
**For the Year Ended September 30, 2005**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget-
	Original	Final	(See Note A)	Positive/ (Negative)
<b>REVENUES:</b>				
State sources	\$ 61,597	\$ 83,597	\$ 82,864	(733)
Local sources	43,481	67,481	42,989	(24,492)
Other	-	-	434	434
Total revenues	105,078	151,078	126,287	(24,791)
<b>EXPENDITURES:</b>				
Public safety	105,078	163,763	82,999	80,764
Excess revenues (expenditures)	-	(12,685)	43,288	55,973
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	-	12,685	-	(12,685)
Net changes in fund balances	-	-	43,288	43,288
Fund balances - beginning	364,782	364,782	364,782	364,782
Fund balances - ending	<u>\$ 364,782</u>	<u>\$ 364,782</u>	<u>\$ 408,070</u>	<u>\$ 408,070</u>

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**MAINTENANCE OF EFFORT - MEDICAL CARE FACILITY**  
**For the Year Ended September 30, 2005**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget-
	Original	Final	(See Note A)	Positive/ (Negative)
<b>REVENUES:</b>				
Taxes	\$ 100	\$ 1,082	\$ 1,083	\$ 1
Interest and rentals	2,000	7,876	8,219	343
Total revenues	2,100	8,958	9,302	344
<b>EXPENDITURES:</b>				
Health and welfare	60,000	110,000	82,290	27,710
Excess revenues (expenditures)	(57,900)	(101,042)	(72,988)	28,054
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	57,900	101,042	-	(101,042)
Net changes in fund balances	-	-	(72,988)	(72,988)
Fund balances - beginning	407,273	407,273	407,273	407,273
Fund balances - ending	<u>\$ 407,273</u>	<u>\$ 407,273</u>	<u>\$ 334,285</u>	<u>\$ 334,285</u>

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**MEDICAL CARE FACILITY IMPROVEMENT FUND**  
**For the Year Ended September 30, 2005**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive/ (Negative)
	Original	Final		
<b>REVENUES:</b>				
Interest and rentals	\$ 60,000	\$ 60,000	\$ 20,773	\$ (39,227)
<b>EXPENDITURES:</b>				
Other	660,000	-	-	-
Excess revenues (expenditures)	(600,000)	60,000	20,773	(39,227)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	600,000	1,759,460	205,358	(1,554,102)
Transfer out	-	(1,819,460)	(1,819,444)	16
Total other financing sources	600,000	(60,000)	(1,614,086)	(1,554,086)
Net changes in fund balances	-	-	(1,593,313)	(1,593,313)
Fund balances - beginning	2,112,758	2,112,758	2,112,758	2,112,758
Fund balances - ending	<u>\$ 2,112,758</u>	<u>\$ 2,112,758</u>	<u>\$ 519,445</u>	<u>\$ 519,445</u>

See accompanying notes to financial statements

**COMBINING FUND FINANCIAL STATEMENTS**

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2005**

	Special Revenue Funds			
	Drug & Alcohol Enforcement	Friend of the Court	Probation Oversite	Family Counseling Services
<b>ASSETS</b>				
Cash and equivalents:				
Restricted	\$ -	\$ -	\$ -	\$ -
Unrestricted	1,771	(3,023)	7,037	6,650
Receivables:				
State of Michigan	-	14,646	-	-
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Due from other governmental units	300	-	-	-
Due from other funds	-	-	-	-
Prepaid expenses	-	880	-	-
Total assets	<u>\$ 2,071</u>	<u>\$ 12,503</u>	<u>\$ 7,037</u>	<u>\$ 6,650</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	\$ 20	\$ 230	\$ 96
Due to other funds	-	-	-	-
Due to other governmental units	-	-	-	-
Accrued payroll	-	2,547	-	-
Total liabilities	<u>-</u>	<u>2,567</u>	<u>230</u>	<u>96</u>
Fund balances:				
Unreserved:				
Designated	-	-	-	-
Undesignated	2,071	9,936	6,807	6,554
Total fund balances	<u>2,071</u>	<u>9,936</u>	<u>6,807</u>	<u>6,554</u>
Total liabilities and fund balances	<u>\$ 2,071</u>	<u>\$ 12,503</u>	<u>\$ 7,037</u>	<u>\$ 6,650</u>

See accompanying notes to financial statements

Special Revenue Funds

Revenue Sharing Reserve	Survey and Remonumen- tation	Homestead Property Tax Audit	Register of Deeds Automation	Budget Stabilization	Emergency Management	County Grants
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,038	\$ -
240,661	(69,112)	5,298	7,874	971	542	(47,326)
-	84,405	-	-	-	-	47,253
-	-	-	-	-	-	73
562	-	-	72	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 241,223</u>	<u>\$ 15,293</u>	<u>\$ 5,298</u>	<u>\$ 7,946</u>	<u>\$ 971</u>	<u>\$ 2,580</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	266	-
-	-	-	-	-	270	-
-	-	-	-	-	2,038	-
241,223	15,293	5,298	7,946	971	272	-
241,223	15,293	5,298	7,946	971	2,310	-
<u>\$ 241,223</u>	<u>\$ 15,293</u>	<u>\$ 5,298</u>	<u>\$ 7,946</u>	<u>\$ 971</u>	<u>\$ 2,580</u>	<u>\$ -</u>

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2005**

	Special Revenue Funds			
	Snowmobile Enforcement Grant	Community Corrections Public Act	Dare Grant	Corrections Officers Training
<b>ASSETS</b>				
Cash and equivalents:				
Restricted	\$ -	\$ -	\$ -	\$ -
Unrestricted	16,643	(3,085)	5,326	5,947
Receivables:				
State of Michigan	-	16,475	-	-
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Due from other governmental units	-	-	-	-
Due from other funds	-	-	-	-
Prepaid expenses	-	-	-	-
Total assets	<u>\$ 16,643</u>	<u>\$ 13,390</u>	<u>\$ 5,326</u>	<u>\$ 5,947</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	\$ 1,572	\$ -	\$ -
Due to other funds	12,000	-	-	-
Due to other governmental units	-	-	-	-
Accrued payroll	-	1,932	-	-
Total liabilities	<u>12,000</u>	<u>3,504</u>	<u>-</u>	<u>-</u>
Fund balances:				
Unreserved:				
Designated	-	-	-	-
Undesignated	4,643	9,886	5,326	5,947
Total fund balances	<u>4,643</u>	<u>9,886</u>	<u>5,326</u>	<u>5,947</u>
Total liabilities and fund balances	<u>\$ 16,643</u>	<u>\$ 13,390</u>	<u>\$ 5,326</u>	<u>\$ 5,947</u>

See accompanying notes to financial statements

Special Revenue Funds

Sheriff Road Patrol	Wrap Grant	Law Library	Juvenile Justice	Truancy Prevention Grant	FIA/MSU Grant	Commission on Aging
\$ - (12,037)	\$ - (833)	\$ - 3,061	\$ 46 (2,311)	\$ - -	\$ - 2,657	\$ 1,706 90,481
15,600	1,997	-	2,500	-	6,986	-
-	-	-	-	-	-	2,292
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	880	-	-	1,474
<u>\$ 3,563</u>	<u>\$ 1,164</u>	<u>\$ 3,061</u>	<u>\$ 1,115</u>	<u>\$ -</u>	<u>\$ 9,643</u>	<u>\$ 95,953</u>
\$ 701	\$ 1,164	\$ 2,539	\$ -	\$ -	\$ 3,737	\$ 788
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,090	-	-	1,020	-	-	3,231
1,791	1,164	2,539	1,020	-	3,737	4,019
-	-	-	46	-	-	1,706
1,772	-	522	49	-	5,906	90,228
1,772	-	522	95	-	5,906	91,934
<u>\$ 3,563</u>	<u>\$ 1,164</u>	<u>\$ 3,061</u>	<u>\$ 1,115</u>	<u>\$ -</u>	<u>\$ 9,643</u>	<u>\$ 95,953</u>

See accompanying notes to financial statements



**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2005**

	Special Revenue Funds			
	Michigan Justice Training	Veterans F.E.M.A.	Probate Child Care	Soldiers & Sailors Relief
<b>ASSETS</b>				
Cash and equivalents:				
Restricted	\$ -	\$ -	\$ -	\$ -
Unrestricted	1,535	1	22,210	1,259
Receivables:				
State of Michigan	-	-	-	-
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Due from other governmental units	-	-	-	-
Due from other funds	-	-	-	-
Prepaid expenses	-	-	-	-
Total assets	<u>\$ 1,535</u>	<u>\$ 1</u>	<u>\$ 22,210</u>	<u>\$ 1,259</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Due to other governmental units	-	-	20,911	-
Accrued payroll	-	-	788	17
Total liabilities	<u>-</u>	<u>-</u>	<u>21,699</u>	<u>17</u>
Fund balances:				
Unreserved:				
Designated	-	-	-	-
Undesignated	1,535	1	511	1,242
Total fund balances	<u>1,535</u>	<u>1</u>	<u>511</u>	<u>1,242</u>
Total liabilities and fund balances	<u>\$ 1,535</u>	<u>\$ 1</u>	<u>\$ 22,210</u>	<u>\$ 1,259</u>

See accompanying notes to financial statements

Special Revenue Funds		Debt Service Funds		
Michigan Veterans Trust	Marine Safety	County Building Retirement	Department of Social Services Debt	Medical Care Facility II Retirement
\$ -	\$ -	\$ -	\$ -	\$ -
192	3,816	114,008	13,194	147,663
-	-	-	-	-
-	-	-	-	-
-	-	266	31	334
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 192</u>	<u>\$ 3,816</u>	<u>\$ 114,274</u>	<u>\$ 13,225</u>	<u>\$ 147,997</u>
\$ -	\$ -	\$ -	\$ -	-
-	-	-	-	-
-	-	-	-	-
-	72	-	-	-
-	72	-	-	-
-	-	-	-	-
192	3,744	114,274	13,225	147,997
192	3,744	114,274	13,225	147,997
<u>\$ 192</u>	<u>\$ 3,816</u>	<u>\$ 114,274</u>	<u>\$ 13,225</u>	<u>147,997</u>

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2005**

	<u>Capital Projects Funds</u>			Total Nonmajor Governmental Funds
	<u>Capital Improvement</u>	<u>Capital Improvement - Public Safety</u>	<u>Carpenter Dam - Maintenance &amp; Repair</u>	
<b>ASSETS</b>				
Cash and equivalents:				
Restricted	\$ 9,750	\$ 21,946	\$ -	\$ 35,486
Unrestricted	2,379	7,755	6,389	577,593
Receivables:				
State of Michigan	-	-	-	189,862
Accounts	-	-	-	2,365
Accrued interest	-	-	-	1,265
Due from other governmental units	-	-	-	300
Due from other funds	-	-	-	-
Prepaid expense	-	-	-	3,234
Total assets	<u>\$ 12,129</u>	<u>\$ 29,701</u>	<u>\$ 6,389</u>	<u>\$ 810,105</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 1,895	\$ -	\$ -	\$ 12,746
Due to other funds	-	-	-	12,000
Due to other governmental units	-	-	-	20,911
Accrued payroll	-	-	-	10,963
Total liabilities	<u>1,895</u>	<u>-</u>	<u>-</u>	<u>56,620</u>
Fund balances:				
Unreserved:				
Designated	7,855	21,946	-	33,591
Undesignated	2,379	7,755	6,389	719,894
Total fund balances	<u>10,234</u>	<u>29,701</u>	<u>6,389</u>	<u>753,485</u>
Total liabilities and fund balances	<u>\$ 12,129</u>	<u>\$ 29,701</u>	<u>\$ 6,389</u>	<u>\$ 810,105</u>

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the year ended September 30, 2005**

	Special Revenue Funds			
	Drug & Alcohol Enforcement	Friend of the Court	Probation Oversite	Family Counseling Services
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal sources	-	55,872	-	-
State sources	-	-	-	-
Local sources	1,628	-	-	-
Charges for services	-	4,428	5,080	930
Interest and rentals	-	49	-	-
Other	-	-	-	-
Total revenues	1,628	60,349	5,080	930
<b>EXPENDITURES:</b>				
Judicial system	-	-	-	-
General government	-	-	-	-
Public safety	5,906	-	-	-
Health and welfare	-	79,835	5,060	1,257
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total expenditures	5,906	79,835	5,060	1,257
Excess revenues (expenditures)	(4,278)	(19,486)	20	(327)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	3,200	25,000	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	3,200	25,000	-	-
Net changes in fund balance	(1,078)	5,514	20	(327)
Fund balances - beginning	3,149	4,422	6,787	6,881
Fund balances - ending	\$ 2,071	\$ 9,936	\$ 6,807	\$ 6,554

See accompanying notes to financial statements

Special Revenue Funds

Revenue Sharing Reserve	Survey and Remonumen- tation	Homestead Property Tax Audit	Register of Deeds Automation	Budget Stabilization	Emergency Management	County Grants
\$ 431,614	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	91,325
-	144,315	-	-	-	-	-
-	-	-	-	-	-	-
-	-	2,814	16,735	-	-	-
817	-	-	320	-	-	-
-	-	-	-	-	-	74
<u>432,431</u>	<u>144,315</u>	<u>2,814</u>	<u>17,055</u>	<u>-</u>	<u>-</u>	<u>91,399</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	7,750	79,415
-	-	-	-	-	-	-
-	-	-	19,938	-	-	11,984
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>34,219</u>	<u>129,022</u>	<u>305</u>	<u>11,179</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>34,219</u>	<u>129,022</u>	<u>305</u>	<u>31,117</u>	<u>-</u>	<u>7,750</u>	<u>91,399</u>
<u>398,212</u>	<u>15,293</u>	<u>2,509</u>	<u>(14,062)</u>	<u>-</u>	<u>(7,750)</u>	<u>-</u>
-	-	-	-	-	5,722	-
<u>(156,989)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(64,369)</u>	<u>-</u>	<u>-</u>
<u>(156,989)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(64,369)</u>	<u>5,722</u>	<u>-</u>
241,223	15,293	2,509	(14,062)	(64,369)	(2,028)	-
-	-	2,789	22,008	65,340	4,338	-
<u>\$ 241,223</u>	<u>\$ 15,293</u>	<u>\$ 5,298</u>	<u>\$ 7,946</u>	<u>\$ 971</u>	<u>\$ 2,310</u>	<u>\$ -</u>

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the year ended September 30, 2005**

	Special Revenue Funds			
	Snowmobile Enforcement Grant	Community Corrections Public Act	Dare Grant	Corrections Officers Training
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-
State sources	16,243	80,031	-	-
Local sources	-	100	-	-
Charges for services	-	-	-	3,970
Interest and rentals	-	-	-	-
Other	3,650	9,730	4,517	-
Total revenues	19,893	89,861	4,517	3,970
<b>EXPENDITURES:</b>				
Judicial system	-	87,255	-	-
General government	-	-	-	-
Public safety	12,360	-	1,744	1,201
Health and welfare	-	-	-	-
Capital outlay	6,400	7,300	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total expenditures	18,760	94,555	1,744	1,201
Excess revenues (expenditures)	1,133	(4,694)	2,773	2,769
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net changes in fund balance	1,133	(4,694)	2,773	2,769
Fund balances - beginning	3,510	14,580	2,553	3,178
Fund balances - ending	\$ 4,643	\$ 9,886	\$ 5,326	\$ 5,947

See accompanying notes to financial statements

Special Revenue Funds

Sheriff Road Patrol	Wrap Grant	Law Library	Juvenile Justice	Truancy Prevention Grant	FIA/MSU Grant	Commission on Aging
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 123,342
-	16,725	-	-	-	44,048	8,145
41,756	-	-	15,397	-	-	20,237
-	-	-	15	-	-	488
-	-	-	-	-	-	-
-	-	-	-	-	-	-
261	-	2,000	83	-	-	7,610
<u>42,017</u>	<u>16,725</u>	<u>2,000</u>	<u>15,495</u>	<u>-</u>	<u>44,048</u>	<u>159,822</u>
-	-	28,318	38,315	552	-	-
-	-	-	-	-	-	-
41,756	-	-	-	-	-	-
-	18,025	-	-	-	46,303	121,364
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>41,756</u>	<u>18,025</u>	<u>28,318</u>	<u>38,315</u>	<u>552</u>	<u>46,303</u>	<u>121,364</u>
<u>261</u>	<u>(1,300)</u>	<u>(26,318)</u>	<u>(22,820)</u>	<u>(552)</u>	<u>(2,255)</u>	<u>38,458</u>
-	-	24,500	22,800	-	-	5,000
-	-	-	-	(377)	-	-
-	-	24,500	22,800	(377)	-	5,000
261	(1,300)	(1,818)	(20)	(929)	(2,255)	43,458
<u>1,511</u>	<u>1,300</u>	<u>2,340</u>	<u>115</u>	<u>929</u>	<u>8,161</u>	<u>48,476</u>
<u>\$ 1,772</u>	<u>\$ -</u>	<u>\$ 522</u>	<u>\$ 95</u>	<u>\$ -</u>	<u>\$ 5,906</u>	<u>\$ 91,934</u>

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the year ended September 30, 2005**

	Special Revenue Funds			
	Michigan Justice Training	Veterans F.E.M.A.	Probate Child Care	Soldiers & Sailors Relief
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal sources	-	1,582	-	-
State sources	773	-	2,721	-
Local sources	-	-	-	-
Interest and rentals	-	-	-	-
Charges for services	-	-	5,884	-
Other	-	-	206	-
Total revenues	773	1,582	8,811	-
<b>EXPENDITURES:</b>				
Judicial system	-	-	-	-
General government	-	-	-	-
Public safety	1,788	-	-	-
Health and welfare	-	1,782	108,972	626
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total expenditures	1,788	1,782	108,972	626
Excess revenues (expenditures)	(1,015)	(200)	(100,161)	(626)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	-	1	100,000	760
Transfer out	-	-	-	-
Total other financing sources (uses)	-	1	100,000	760
Net changes in fund balance	(1,015)	(199)	(161)	134
Fund balances - beginning	2,550	200	672	1,108
Fund balances - ending	\$ 1,535	\$ 1	\$ 511	\$ 1,242

See accompanying notes to financial statements



Special Revenue Funds		Debt Service Funds		
Michigan Veterans Trust	Marine Safety	County Building Retirement	Department of Social Services Debt	Medical Care Facility II Retirement
\$ -	\$ -	\$ 1,787	\$ -	\$ 176,896
-	-	-	-	-
396	668	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	1,929	535	1,523
-	150	-	-	-
396	818	3,716	535	178,419
-	-	-	-	-
-	-	-	-	-
-	1,801	-	-	-
492	-	-	-	-
-	-	-	-	-
-	-	75,000	32,000	80,000
-	-	20,875	41,347	37,377
-	-	607	-	1,328
492	1,801	96,482	73,347	118,705
(96)	(983)	(92,766)	(72,812)	59,714
-	-	-	-	-
-	-	-	73,200	-
-	-	-	73,200	-
(96)	(983)	(92,766)	388	59,714
288	4,727	207,040	12,837	88,283
\$ 192	\$ 3,744	\$ 114,274	\$ 13,225	\$ 147,997

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the year ended September 30, 2005**

	Capital Projects Funds			Total Nonmajor Governmental Funds
	Capital Improvement	Capital Improvement - Public Safety	Carpenter Dam - Maintenance & Repair	
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ 733,639
Federal sources	-	-	-	217,697
State sources	-	-	-	322,537
Local sources	-	-	-	2,231
Interest and rentals	-	-	-	33,957
Charges for services	-	-	-	11,057
Other	-	-	-	28,281
Total revenues	-	-	-	1,349,399
<b>EXPENDITURES:</b>				
Judicial system	-	-	-	154,440
General government	-	-	-	-
Public safety	-	-	-	153,721
Health and welfare	-	-	-	383,716
Capital outlay	10,562	-	1,143	57,327
Debt service:				
Principal	-	-	-	187,000
Interest	-	-	-	99,599
Other	-	-	-	176,660
Total expenditures	10,562	-	1,143	1,212,463
Excess revenues (expenditures)	(10,562)	-	(1,143)	136,936
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	-	1,505	2,652	191,140
Transfer out	(29,868)	-	-	(178,403)
Total other financing sources (uses)	(29,868)	1,505	2,652	12,737
Net changes in fund balance	(40,430)	1,505	1,509	149,673
Fund balances - beginning	50,664	28,196	4,880	603,812
Fund balances - ending	\$ 10,234	\$ 29,701	\$ 6,389	\$ 753,485

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR PROPRIETARY FUNDS**  
**September 30, 2005**

	<u>Foreclosure</u>	<u>Jail Commissary</u>	<u>Building Inspection Department</u>	<u>Buildings and Property</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents				
Unrestricted	\$ 2,227	\$ 3,110	\$ 20,795	\$ 149,310
Accounts receivable	5	-	-	-
Prepaid expenses	-	-	880	-
	<u>2,232</u>	<u>3,110</u>	<u>21,675</u>	<u>149,310</u>
Total current assets				
	<u>2,232</u>	<u>3,110</u>	<u>21,675</u>	<u>149,310</u>
Noncurrent assets:				
Delinquent taxes	-	-	-	-
Capital assets, net of accumulated depreciation	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total noncurrent assets				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 2,232</u>	<u>\$ 3,110</u>	<u>\$ 21,675</u>	<u>\$ 149,310</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ 564	\$ -
Accrued payroll	-	-	1,792	-
	<u>-</u>	<u>-</u>	<u>2,356</u>	<u>-</u>
Total liabilities				
	<u>-</u>	<u>-</u>	<u>2,356</u>	<u>-</u>
<b>NET ASSETS</b>				
Invested in capital assets	-	-	-	-
Unrestricted	2,232	3,110	19,319	149,310
	<u>2,232</u>	<u>3,110</u>	<u>19,319</u>	<u>149,310</u>
Total net assets				
	<u>2,232</u>	<u>3,110</u>	<u>19,319</u>	<u>149,310</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 2,232</u>	<u>\$ 3,110</u>	<u>\$ 21,675</u>	<u>\$ 149,310</u>

See accompanying notes to financial statements

<u>Summer Tax Collections</u>	<u>Tax Revolving 1999</u>	<u>Tax Revolving 2000</u>	<u>Tax Revolving 2002</u>	<u>Tax Revolving Administration</u>	<u>Total Nonmajor Proprietary Funds</u>
\$ 2,797	\$ 496	\$ 532	\$ 26,120	\$ 7,734	\$ 213,121
-	-	-	60	2,155	2,220
-	-	-	-	-	880
<u>2,797</u>	<u>496</u>	<u>532</u>	<u>26,180</u>	<u>9,889</u>	<u>216,221</u>
-	186	188	2,556	-	2,930
-	-	-	-	-	-
-	186	188	2,556	-	2,930
<u>\$ 2,797</u>	<u>\$ 682</u>	<u>\$ 720</u>	<u>\$ 28,736</u>	<u>\$ 9,889</u>	<u>\$ 219,151</u>
\$ -	\$ -	\$ -	\$ 398	\$ 11	\$ 973
-	-	-	-	-	1,792
-	-	-	398	11	2,765
-	-	-	-	-	-
<u>2,797</u>	<u>682</u>	<u>720</u>	<u>28,338</u>	<u>9,878</u>	<u>216,386</u>
<u>2,797</u>	<u>682</u>	<u>720</u>	<u>28,338</u>	<u>9,878</u>	<u>216,386</u>
<u>\$ 2,797</u>	<u>\$ 682</u>	<u>\$ 720</u>	<u>\$ 28,736</u>	<u>\$ 9,889</u>	<u>\$ 219,151</u>

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**NONMAJOR PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2005**

	Foreclosure	Jail Commissary	Building Inspection Department	Buildings and Property
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 10,095	\$ 9,408	\$ 45,290	\$ -
State sources	-	-	6,600	-
Rental and interest income	26	16	-	1,196
Other	-	-	112	-
Total operating revenue	10,121	9,424	52,002	1,196
<b>OPERATING EXPENSES:</b>				
Salaries and fringes	-	-	59,248	-
Contracted services	7,739	-	-	1,170
Depreciation	-	-	-	148
Other	150	10,182	3,133	3,518
Total operating expenses	7,889	10,182	62,381	4,836
Operating income (loss)	2,232	(758)	(10,379)	(3,640)
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Gain on sale of fixed assets	-	-	-	48,822
Transfer in	-	-	25,000	-
Transfer out	-	-	-	-
Total nonoperating revenues (expenses)	-	-	25,000	48,822
Change in net assets	2,232	(758)	14,621	45,182
Total net assets - beginning	-	3,868	4,698	104,128
Total net assets - ending	2,232	\$ 3,110	\$ 19,319	\$ 149,310

See accompanying notes to financial statements

Summer Tax Collections	Tax Revolving 1999	Tax Revolving 2000	Tax Revolving 2002	Tax Revolving Administration	Total Nonmajor Proprietary Funds
\$ -	\$ -	\$ -	\$ 1,056	\$ -	\$ 65,849
-	-	-	-	-	6,600
-	14	14	10,648	2,155	14,069
-	-	-	750	-	862
-	14	14	12,454	2,155	87,380
-	-	-	-	-	59,248
-	-	-	-	-	8,909
-	-	-	-	-	148
-	-	-	398	377	17,758
-	-	-	398	377	86,063
-	14	14	12,056	1,778	1,317
-	-	-	-	-	48,822
-	-	-	-	-	25,000
-	-	-	(600,010)	-	(600,010)
-	-	-	(600,010)	-	(526,188)
-	14	14	(587,954)	1,778	(524,871)
2,797	668	706	616,292	8,100	741,257
\$ 2,797	\$ 682	\$ 720	\$ 28,338	\$ 9,878	\$ 216,386

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2005**

	Foreclosure	Jail Commissary	Building Inspection Department	Buildings and Property
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 10,090	\$ 9,408	\$ 45,189	\$ 4,784
Receipts from interest and rents	26	16	-	1,196
Cash received for collection of taxes	-	-	-	-
Other operating cash receipts	-	-	6,712	-
Payments to suppliers	-	-	-	(1,920)
Payments for wages and related benefits	-	-	(59,036)	-
Other operating cash payments	(7,889)	(10,182)	(2,569)	(3,518)
	<u>2,227</u>	<u>(758)</u>	<u>(9,704)</u>	<u>542</u>
Net cash provided (used) by operating activities				
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfer in	-	-	25,000	-
Transfer out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities				
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from sale of capital assets	-	-	-	60,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,000</u>
Net increase (decrease) in cash and equivalents	2,227	(758)	15,296	60,542
Cash and equivalents, beginning of year	-	3,868	5,499	88,768
	<u>-</u>	<u>3,868</u>	<u>5,499</u>	<u>88,768</u>
Cash and equivalents, end of year	<u>\$ 2,227</u>	<u>\$ 3,110</u>	<u>\$ 20,795</u>	<u>\$ 149,310</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	2,232	\$ (758)	\$ (10,379)	\$ (3,640)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	-	-	-	148
Changes in assets and liabilities:				
(Increase) decrease in receivables	(5)	-	(101)	4,784
(Increase) decrease in due from other funds	-	-	-	-
Increase (decrease) in accounts payable	-	-	564	(750)
Increase (decrease) in accrued payroll	-	-	212	-
	<u>-</u>	<u>-</u>	<u>212</u>	<u>-</u>
Total adjustments	(5)	-	675	4,182
	<u>(5)</u>	<u>-</u>	<u>675</u>	<u>4,182</u>
Net cash provided by operating activities	<u>\$ 2,227</u>	<u>\$ (758)</u>	<u>\$ (9,704)</u>	<u>\$ 542</u>

See accompanying notes to financial statements

Summer Tax Collections	Tax Revolving 1999	Tax Revolving 2000	Tax Revolving 2002	Tax Revolving Administration	Total Nonmajor Proprietary Funds
\$ -	\$ -	\$ -	\$ 1,056	\$ -	\$ 70,527
-	12	14	10,648	2,986	14,898
-	-	-	32,675	-	32,675
-	-	-	7,850	-	14,562
-	-	-	-	-	(1,920)
-	-	(8)	(1,600)	(366)	(59,036)
-	-	(8)	(1,600)	(366)	(26,132)
-	12	6	50,629	2,620	45,574
-	-	-	-	-	25,000
-	-	-	(600,010)	-	(600,010)
-	-	-	(600,010)	-	(575,010)
-	-	-	-	-	60,000
-	12	6	(549,381)	2,620	(469,436)
2,797	484	526	575,501	5,114	682,557
<u>\$ 2,797</u>	<u>\$ 496</u>	<u>\$ 532</u>	<u>\$ 26,120</u>	<u>\$ 7,734</u>	<u>\$ 213,121</u>
\$ -	\$ 14	\$ 14	\$ 12,056	\$ 1,778	\$ 1,317
-	-	-	-	-	148
-	(2)	-	32,675	831	38,182
-	-	-	7,100	-	7,100
-	-	(8)	(1,202)	11	(1,385)
-	-	-	-	-	212
-	(2)	(8)	38,573	842	44,257
<u>\$ -</u>	<u>\$ 12</u>	<u>\$ 6</u>	<u>\$ 50,629</u>	<u>\$ 2,620</u>	<u>\$ 45,574</u>

See accompanying notes to financial statements



**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**September 30, 2005**

	Computer	Postage Meter	Telephone	Motor Pool Police Vehicle
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents				
Restricted	\$ 7,176	\$ -	\$ -	\$ 8,249
Unrestricted	1	9,852	2,909	(1,364)
Accounts receivable	188	-	5	-
Prepaid expenses	-	3,324	-	-
	<u>7,365</u>	<u>13,176</u>	<u>2,914</u>	<u>6,885</u>
Total current assets				
Noncurrent assets:				
Capital assets, net of accumulated depreciation	28,037	-	293	22,753
	<u>28,037</u>	<u>-</u>	<u>293</u>	<u>22,753</u>
Total assets	<u>\$ 35,402</u>	<u>\$ 13,176</u>	<u>\$ 3,207</u>	<u>\$ 29,638</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	75	96	1,584	-
	<u>75</u>	<u>96</u>	<u>1,584</u>	<u>-</u>
<b>NET ASSETS</b>				
Invested in capital assets	28,037	-	293	22,753
Unrestricted	7,290	13,080	1,330	6,885
	<u>7,290</u>	<u>13,080</u>	<u>1,330</u>	<u>6,885</u>
Total net assets	<u>35,327</u>	<u>13,080</u>	<u>1,623</u>	<u>29,638</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 35,402</u>	<u>\$ 13,176</u>	<u>\$ 3,207</u>	<u>\$ 29,638</u>

See accompanying notes to financial statements

Total  
Internal  
Service  
Funds

\$	15,425
	11,398
	193
	<u>3,324</u>

<u>30,340</u>
---------------

<u>51,083</u>
---------------

\$	<u><u>81,423</u></u>
----	----------------------

<u>1,755</u>
--------------

51,083
<u>28,585</u>

<u>79,668</u>
---------------

\$	<u><u>81,423</u></u>
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See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended September 30, 2005**

	<u>Computer</u>	<u>Postage Meter</u>	<u>Telephone</u>	<u>Motor Pool Police Vehicle</u>
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 101	\$ 4,175	\$ 2,710	\$ -
Other	28,716	-	-	-
Total operating revenue	<u>28,817</u>	<u>4,175</u>	<u>2,710</u>	<u>-</u>
<b>OPERATING EXPENSES:</b>				
Administrative fees	56,496	16,115	20,545	2,070
Depreciation	<u>9,565</u>	<u>155</u>	<u>256</u>	<u>5,607</u>
Total operating expenses	<u>66,061</u>	<u>16,270</u>	<u>20,801</u>	<u>7,677</u>
Operating income (loss)	<u>(37,244)</u>	<u>(12,095)</u>	<u>(18,091)</u>	<u>(7,677)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Transfer in	<u>14,000</u>	<u>13,000</u>	<u>15,000</u>	<u>23,708</u>
Change in net assets	(23,244)	905	(3,091)	16,031
Total net assets - beginning	<u>58,571</u>	<u>12,175</u>	<u>4,714</u>	<u>13,607</u>
Total net assets - ending	<u><u>\$ 35,327</u></u>	<u><u>\$ 13,080</u></u>	<u><u>\$ 1,623</u></u>	<u><u>\$ 29,638</u></u>

See accompanying notes to financial statements

Total  
Internal  
Service  
Funds

\$	6,986
	<u>28,716</u>
	<u>35,702</u>
	95,226
	<u>15,583</u>
	<u>110,809</u>
	<u>(75,107)</u>
	<u>65,708</u>
	(9,399)
	<u>89,067</u>
\$	<u><u>79,668</u></u>

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended September 30, 2005**

	Computer	Postage Meter	Telephone	Motor Pool Police Vehicle
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash receipts from interfund services provided	\$ 28,629	\$ 4,175	\$ 2,723	\$ -
Cash payments to other suppliers of goods and services	(57,518)	(12,459)	(19,350)	(2,070)
Net cash provided (used) by operating activities	(28,889)	(8,284)	(16,627)	(2,070)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfer in	14,000	13,000	15,000	23,708
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>				
Purchases of capital assets	(11,250)	-	-	(24,378)
Net increase (decrease) in cash and equivalents	(26,139)	4,716	(1,627)	(2,740)
Cash and equivalents, beginning of year	33,316	5,136	4,536	9,625
Cash and equivalents, end of year	<u>\$ 7,177</u>	<u>\$ 9,852</u>	<u>\$ 2,909</u>	<u>\$ 6,885</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ (37,244)	\$ (12,095)	\$ (18,091)	\$ (7,677)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	9,565	155	256	5,607
Changes in assets and liabilities:				
(Increase) decrease in receivables	(188)	-	13	-
(Increase) decrease in prepaid expenses	-	3,560	-	-
Increase (decrease) in accounts payable	(1,022)	96	1,195	-
Total adjustments	8,355	3,811	1,464	5,607
Net cash provided by operating activities	<u>\$ (28,889)</u>	<u>\$ (8,284)</u>	<u>\$ (16,627)</u>	<u>\$ (2,070)</u>

See accompanying notes to the financial statements

Total  
Internal  
Service  
Funds

\$ 35,527

(91,397)

(55,870)

65,708

(35,628)

(25,790)

52,613

\$ 26,823

\$ (75,107)

15,583

(175)

3,560

269

19,237

\$ (55,870)

See accompanying notes to the financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**AGENCY FUNDS**  
**September 30, 2005**

	General Trust and Agency	Probation Restitution	District Court Trust	Sheriff Inmate Trust
<b>ASSETS</b>				
Cash and cash equivalents:				
Unrestricted	\$ 109,970	\$ 8,107	\$ 35,670	\$ 1,928
Receivables:				
Due from other governmental units	-	-	-	-
Other assets	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 109,970</u>	<u>\$ 8,107</u>	<u>\$ 35,670</u>	<u>\$ 1,928</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 10,535	\$ -	\$ -	\$ -
Due to other funds	42,592	-	-	-
Due to other units governmental units	26,867	-	-	-
Undistributed taxes	3,411	-	-	-
Other liabilities	26,565	8,107	35,670	1,928
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>\$ 109,970</u>	<u>\$ 8,107</u>	<u>\$ 35,670</u>	<u>\$ 1,928</u>

See accompanying notes to financial statements

<u>Payroll Trust and Agency</u>	<u>Library Fund</u>	<u>Retirement Fund</u>	<u>Housing Commission</u>	<u>Totals</u>
\$ 25,292	\$ 22,540	\$ 78,476	\$ (6,838)	\$ 275,145
-	-	-	9,986	9,986
-	21	-	1,925	1,946
<u>\$ 25,292</u>	<u>\$ 22,561</u>	<u>\$ 78,476</u>	<u>\$ 5,073</u>	<u>\$ 287,077</u>
\$ -	\$ -	\$ -	\$ -	\$ 10,535
-	-	-	-	42,592
24,483	-	-	-	51,350
-	-	-	-	3,411
809	22,561	78,476	5,073	179,189
<u>\$ 25,292</u>	<u>\$ 22,561</u>	<u>\$ 78,476</u>	<u>\$ 5,073</u>	<u>\$ 287,077</u>

See accompanying notes to financial statements



## **SINGLE AUDIT**



**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
Alan M. Stotz, CPA, Principal  
Raymond B. LaMarche, CPA, Principal  
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA  
Lindsay J. Behrend, CPA  
Christina A. Smigowski, CPA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Schoolcraft County  
Manistique, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of Schoolcraft County as of and for the year ended September 30, 2005, which collectively comprise Schoolcraft County's basic financial statements and have issued our report thereon dated December 2, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Schoolcraft County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted matters involving the internal control over financial reporting which we have reported to management of Schoolcraft County in a separate letter dated December 2, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Schoolcraft County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain other matters that we reported to management of Schoolcraft County in a separate letter dated December 2, 2005.

This report is intended solely for the information and use of the board of commissioners, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Andersen, Tackman & Company P.C.*  
Certified Public Accountants

December 2, 2005



**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
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Raymond B. LaMarche, CPA, Principal  
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA  
Lindsay J. Behrend, CPA  
Christina A. Smigowski, CPA

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Schoolcraft County  
Manistique, Michigan

Compliance

We have audited the compliance of Schoolcraft County with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2005. Schoolcraft County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Schoolcraft County's management. Our responsibility is to express an opinion on Schoolcraft County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Schoolcraft County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Schoolcraft County's compliance with those requirements.

In our opinion, Schoolcraft County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

Internal Control Over Compliance

The management of Schoolcraft County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Schoolcraft County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of commissioners, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company P.A.C.*  
Certified Public Accountants

December 2, 2005

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ended September 30, 2005

<u>Federal Grantor/Pass-through/Program Title</u>	<u>Federal CFDA #</u>	<u>Agency/Pass- through #</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Homeland Security</b>			
Passed through Michigan State Police, Emergency Management Division:			
State Domestic Preparedness Equipment Support Program:			
2003 State Homeland Security Grant Program II, Training Grant	97.004		\$ 3,997
2003 Part I State Homeland Security Grant Program	97.004		22,396
2004 Homeland Security Grant Program	97.004		36,092
2004 Law Enforcement Terrorism Prevention Program	97.004		11,001
2003 State Homeland Security Grant Program Exercise Program	97.004		6,092
2003 State Homeland Security Grant Program Part II Solution Area Planner Grant	97.004		11,747
Emergency Management Performance Grant:			
2004 Emergency Management Performance Grant	97.042		808
Homeland Security Grant Program:			
2005 Emergency Management Performance Grant	97.067		1,798
Emergency Food & Shelter National Board Program	97.024		1,582
Passed through State of Michigan, Department of Labor & Economic Growth:			
MI Citizens Corps Grant	97.053	MCSC/ODPMCC/ F-35/04	23,383
Total U.S. Department of Homeland Security			118,896
<b>U.S. Department of Health and Human Services</b>			
Passed through State of Michigan Family Independence Agency:			
Family Support Payments to States - Assistance Payments	93.560		16,127
Child Abuse & Neglect Discretionary Activities	93.670		96
Temporary Assistance for Needy Families	93.558	WRAP-03-77001	16,725
Promoting Safe and Stable Families	93.556	SFSC-05-77001	44,048
Child Support Enforcement	93.563	CSFOC-05-77001 CSPA-05-77002	160,799
Passed through the Upper Peninsula Commission for Area Progress:			
Special Programs for the Aging - Title III, Part B	93.044		5,788
National Family Caregiver Support	93.052		2,357
Total U.S. Department of Health and Human Services			245,940

See accompanying notes to the schedule of expenditures of federal awards.

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended September 30, 2005**

<u>Federal Grantor/Pass-through/Program Title</u>	<u>Federal CFDA #</u>	<u>Agency/Pass- through #</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Housing and Urban Development</b>			
Passed through the Michigan State Housing Development Authority:			
Community Development Block Grant	14.228	MSC-2004-749-HOA	161,345
Home Investment Partnership Program	14.239	M-2003-749	<u>30,615</u>
Total U.S. Department of Housing and Urban Development			<u>191,960</u>
<b>U.S. Department of Transportation</b>			
Passed through the Michigan Department of Transportation:			
Formula Grants For Other Than Urbanized Areas	20.509		<u>267,775</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 824,571</u></u>

See accompanying notes to the schedule of expenditures of federal awards.

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the Year Ended September 30, 2005**

**NOTE A – OVERSIGHT AGENCY**

The U.S. Department of Transportation is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the County's federal financial assistance.

**NOTE B – BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards includes the grant activity of Schoolcraft County and is presented on the modified accrual basis of accounting.

**NOTE C – PASS-THROUGH GRANTOR'S OR PROGRAM NUMBERS**

The pass-through grantor's number represents the County's provider I.D. number. Such other I.D. numbers were not available or provided by the State administering agencies.

**NOTE D – FEDERAL REVENUE RECONCILIATION**

Federal revenue per governmental fund financial statements	\$ 341,453
Federal expenditures per schedule of expenditures of federal awards	<u>824,571</u>
Difference	\$ (483,118)

Reconciling items:

Federal revenues reported in the component units which are included on the schedule of expenditures of federal awards:

Economic Development Corporation	191,960
Public Transit	267,775
Schoolcraft Memorial Hospital	<u>23,383</u>
Reconciled difference	<u><u>\$ -</u></u>



**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended September 30, 2005**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the County of Schoolcraft, Michigan.
2. There were no reportable conditions disclosed during the audit of the basic financial statements to be reported in the *Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. There were no instances of noncompliance material to the basic financial statements of the County of Schoolcraft, Michigan disclosed during the audit.
4. There were no reportable conditions disclosed during the audit of the major federal programs as reported in the *Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133*.
5. The auditor's report on compliance for the major federal programs for the County of Schoolcraft, Michigan expresses an unqualified opinion.
6. There were no audit findings relative to the major federal programs for the County of Schoolcraft, Michigan.
7. The program tested as a major program included:
  - Child Support Enforcement, CFDA #93.563
  - Community Development Block Grant, CFDA #14.228
  - Formula Grants For Other Than Urbanized Areas, CFDA #20.509
8. The threshold for distinguishing Type A & B programs was \$300,000.
9. The County of Schoolcraft, Michigan was not determined to be a low-risk auditee.

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended September 30, 2005**

**B. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS  
AUDIT**

	<u>Questioned Costs</u>
There were no findings for the current fiscal year.	\$ -

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

**For the Year Ended September 30, 2005**

**A. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS  
AUDIT**

There were no prior year findings or questioned costs.



**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

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**REPORT TO MANAGEMENT**

Schoolcraft County Board of Commissioners  
Manistique, MI 49854

We have audited the financial statements of the County of Schoolcraft, Michigan for the year ended September 30, 2005 and have issued our reports thereon dated December 2, 2005. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

**Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133**

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

In planning and performing our audit, we considered County of Schoolcraft, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether County of Schoolcraft, Michigan's financial statements are free of material misstatement, we performed tests of its' compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about County of Schoolcraft, Michigan's compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its' major federal programs for the purpose of expressing an opinion on County of Schoolcraft, Michigan's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on County of Schoolcraft, Michigan's compliance with those requirements.

### Significant Accounting Policies

Management has the responsibility for the selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by County of Schoolcraft, Michigan are described in Note A of the financial statements. No new accounting policies were adopted and the application of existing policies were not changed during the fiscal year. We noted no transactions entered into by County of Schoolcraft, Michigan during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### Management Judgments and Accounting Estimates

Some accounting estimates are utilized in the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the estimates. The most sensitive estimate affecting the financial statements was useful lives on fixed assets. This estimate is based on management's past experience with useful lives of similar assets.

### Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments, individually and in the aggregate, do not have a significant effect on the financial reporting process.

### Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to County of Schoolcraft, Michigan or a determination of the type of auditors' opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Schoolcraft County Board of Commissioners  
Manistique, MI 49854

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County of Schoolcraft, Michigan auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

In planning and performing our audit of the financial statements of County of Schoolcraft, Michigan for the year ended September 30, 2005, we considered County of Schoolcraft, Michigan's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding these matters. This letter does not affect our report dated December 2, 2005, on the financial statements of County of Schoolcraft, Michigan

This information is intended solely for the use by the board of Commissioners, management, state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company P.C.*

Anderson, Tackman & Company, PLC  
Certified Public Accountants

December 2, 2005

## **COUNTY OF SCHOOLCRAFT, MICHIGAN**

### **COMMENTS AND RECOMMENDATIONS**

September 30, 2005

#### **DISTRICT COURT TRANSMITTALS**

**Comment:**

District Court is currently transmitting funds to the Treasurer on a monthly basis.

**Recommendation:**

We recommend transmittals be performed on a weekly basis in order to strengthen controls and to more timely record revenue of the County.

#### **OUTSTANDING CHECKS HELD**

**Comment:**

There are five outstanding checks totaling \$2,519.33, which are being held by the County for the reason being over a dispute to whether these funds belong to the County or retirees.

**Recommendation:**

We recommend this issue be investigated resulting in a collaborative conclusion as to the rights of these funds.

#### **2% TRIBAL GAMING REVENUE**

**Comment:**

The County is recording the receipt and payment of the 2% Tribal gaming revenue in the General Trust & Agency fund.

**Recommendation:**

We recommend the 2% Tribal gaming revenue be recorded as revenue and subsequently recorded as an expenditure on the books of the County, and not recorded in a trust and agency fund where revenues and expenditures are not recognized.

## **COUNTY OF SCHOOLCRAFT, MICHIGAN**

### **COMMENTS AND RECOMMENDATIONS**

September 30, 2005

#### **RETIREMENT FUND**

**Comment:**

The Retirement Fund is classified as a trust and agency fund. However, the use of the fund is more appropriately classified as a special revenue fund.

**Recommendation:**

We recommend the County reclassify the Retirement Fund as a special revenue type fund.

#### **JAIL COMMISSARY BANK RECONCILIATIONS**

**Comment:**

Bank reconciliations are being performed using a date other than the last day of the month.

**Recommendation:**

We recommend all reconciliations of the County be performed as of the last day of the month, especially year end, so reconciliations are for the balances to be reported in the financial statements of the County as of September 30<sup>th</sup>.

#### **FAIR MARKET VALUE OF INVESTMENTS**

**Comment:**

The County's DTRF 2001 Fund has investments consisting of bonds and notes held by Wells Fargo with a fair market value of \$394,001, but is recorded on the books in the amount of \$400,000.

**Recommendation:**

We recommend all investments of the County be recorded at fair market value resulting in any unrealized gain or loss on the investment.



## **COUNTY OF SCHOOLCRAFT, MICHIGAN**

### **COMMENTS AND RECOMMENDATIONS**

September 30, 2005

#### **COOPERATIVE REIMBURSEMENT REPORTS**

**Comment:**

We noted monthly Title IV-D Cooperative Reimbursement Expenditure Reports, which were submitted later than fifteen (15) business days after the month of service provided.

**Recommendation:**

We recommend all monthly expenditure reports be submitted within the fifteen (15) day requirement to insure reimbursement is received on a timely basis.

#### **SALES TAX PAID BY COUNTY**

**Comment:**

We noted a payment relating to the Airport Fund which consisted partly of sales tax for the purchase of materials.

**Recommendation:**

We recommend the County utilize its tax-exempt status on sales taxes at all times to prevent the additional and unnecessary expense. All individuals who are responsible for County purchases should be reminded to take advantage of the County's tax-exempt status to save on County funds.

#### **ACCUMULATED SICK & VACATION**

**Comment:**

We noted an overstatement of accumulated sick leave hours for an employee as of September 30, 2005.

**Recommendation:**

The 7 ½ hour overstatement has been subsequently corrected. However, because accumulated sick and vacation hours can result in a significant liability of the County, we recommend accumulated hours of employees be reviewed by the Clerk to assist in detecting any errors relating to the accumulation of hours. This review by the Clerk, which can be performed on a periodic basis, provides additional oversight and strengthens the internal controls over the recording and reporting of accumulated hours.

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**COMMENTS AND RECOMMENDATIONS**

September 30, 2005

**AIRPORT MANAGEMENT & OPERATOR CONTRACTS**

**Comment/Recommendation:**

1. The most recent contracts on file are June 23, 1998.

We recommend a new contract be signed each year.

2. Contract states the Airport Manager will provide the Treasurer with a copy of invoices associated with fuel purchases, specifying quantity or volume of fuel purchased. We have noted that this isn't being done.

We recommend the information be provided as stated in the contract.

3. Contract states the Airport Manager shall pay the County the amount of \$.10 per gallon on aviation and jet fuel sold, and such payment be made monthly to the County based on sales. The manager shall provide the County during the first week of every month during the life of the contract, with receipts showing the number of gallons of fuel sold by the Airport Manager during the previous month, and shall provide pump readings to support such receipts and sales.

We noted the County's share of fuel sales and the information required by the contract, are not being provided on a monthly basis. We recommend County funds and the required information be provided on a monthly basis as stated in the contract. In the event that fuel pump readings cannot be printed, we recommend the fuel tanks be measured (dipped) periodically by a representative of the County to substantiate the number of gallons sold by the Airport Manager.

4. Contract states the contractor shall pay to the County the sum of 50% of the total monthly rental as paid to the contractor for the county-owned hangars and hangar space, and the Airport Operator provide the County with a schedule of hangar space rental due and collected.

Currently, this provision of the contract isn't being followed as stated within the contract. We recommend this provision of the contract be followed as stated.

5. Contract states the contractor shall be responsible for his own workman's compensation insurance and a copy of the policy be provided to the Clerk of the County board for the recorded.

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**COMMENTS AND RECOMMENDATIONS**

September 30, 2005

**AIRPORT MANAGEMENT & OPERATOR CONTRACTS (continued)**

We noted workman's compensation insurance is not being provided by the Airport Manager/Operator, but is being paid for by the County. We recommend the Airport Manager/Operator be responsible for obtaining workman's compensation insurance as stated in the contract.

6. Airport Manager's contract states the Airport Manager shall maintain liability insurance in the minimum amount of \$1,000,000, and the Manager provide proof of such coverage to the Clerk of the County.

We recommend the County obtain proof of insurance as stated in the contract.

**EDC – CASH DRAWDOWNS**

**Comment:**

We noted during our audit that the cash draw-downs for ongoing projects were not always expended within thirty days as required by the state and federal guidelines.

**Recommendation:**

We recommend that management make every possible effort to meet this requirement in the future.

**EDC - LEVERAGE REQUIREMENTS**

**Comment:**

We noted during our audit that the participant leverage requirements of \$61,500 for grant number MSC-2004-0749-HOA were not met.

**Recommendation:**

We recommend that management take appropriate steps to correct this circumstance with the state and make an effort to contract for attainable leverage goals with the state in the future.